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

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

COMMISSION FILE NUMBER: 001-34949

TEKMIRA PHARMACEUTICALS CORPORATION
(Exact name of Registrant as specified in its charter)

British Columbia
(Jurisdiction of incorporation or organization)

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

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Securities registered or to be registered pursuant to section 12(b) of the Act:

Title of each Class	Name of each exchange on which registered
Common Shares, without par value	**NASDAQ Capital Market**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

N/A
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

N/A
(Title of Class)

The number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2010 was 10,338,703 common shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

If this report is an annual or a transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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GENERAL INTRODUCTION AND USE OF CERTAIN TERMS

In this Annual Report, references to:

- "Company" means Tekmira Pharmaceuticals Corporation, a British Columbia company;
- "Protiva" means Protiva Biotherapeutics Inc., a British Columbia company and a wholly-owned subsidiary of Tekmira; and
- "We", "us", "our", and "Tekmira" means Tekmira together with Protiva.

We use the Canadian dollar as our reporting currency. All references in this document to "dollars" or "$" are to Canadian dollars unless otherwise indicated.

Except as noted, the information set forth in this Annual Report is as of December 31, 2010 and, except as noted, all information included in this document should only be considered correct as of such date.

FORWARD LOOKING STATEMENTS

Much of the information included in this Annual Report includes or is based upon estimates, projections or other "forward-looking statements". Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. These statements relate to future events or our future financial performance. In some cases you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of those terms or other comparable terminology. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Such estimates, projections or other forward-looking statements involve various risks and uncertainties and other factors, including the risks in the section titled "Risk Factors" below, which may cause our actual results, levels of activities, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. We caution the reader that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform those statements to actual results.

The statements contained in Item 4.B.—the "Business Overview", Item 5—"Operating and Financial Review and Prospects" and Item 11—"Quantitative and Qualitative Disclosures About Market Risk" are inherently subject to a variety of risks and uncertainties that could cause actual results, performance or achievements to differ significantly.

PART I

ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3 KEY INFORMATION

3A. Selected Financial Data

The following table presents selected financial data derived from Tekmira's audited consolidated financial statements for the fiscal years ended December 31, 2010, 2009, 2008, 2007 and 2006. The operating data for the years ending December 31 2010, 2009 and 2008 is derived from financial statements prepared under U.S. GAAP. The operating data for the years ending December 31, 2007 and 2006 is derived from financial statements prepared under Canadian GAAP and then reconciled to U.S. GAAP. The balance sheet data at December 31, 2010 and 2009 is derived from financial statements prepared under U.S. GAAP. The balance sheet data at December 31, 2008, 2007 and 2006 is derived from financial statements prepared under Canadian GAAP and then reconciled to U.S. GAAP. You should read this information in conjunction with our financial statements for the periods presented, as well as Item 4 "*Information on the Company*" and Item 5 "*Operating and Financial Review and Prospects*" included elsewhere in this Annual Report. The financial information presented in this 20-F has been prepared in accordance with generally accepted accounting principles of the United States of America, or U.S. GAAP. Historically we prepared our consolidated financial statements in conformity with Canadian generally accepted accounting principles. The Canadian Securities Administrators' National Instrument 52-107, Acceptable Accounting Principles, Auditing Standards and Reporting Currency, permits Canadian public companies who are also U.S. Securities and Exchange Commission (SEC) registrants the option of preparing their financial statements under U.S. GAAP. Based on a number of our peers and collaborators reporting under U.S. GAAP we concluded that U.S. GAAP is more relevant to the users of our financial statements than Canadian GAAP. Therefore, effective December 31, 2010, we adopted U.S. GAAP as the reporting standard for our consolidated financial statements. All comparative financial information contained in our December 31, 2010 consolidated financial statements and in this 20-F has been presented as if we had historically reported in accordance with U.S. GAAP. These policies are consistent with Canadian GAAP in all material respects for Tekmira except, under Canadian GAAP, the in-process research and development acquired from Protiva on May 30, 2008 would be recorded on our Balance Sheet as intangible assets and would be amortized over its estimated useful life of 16 years. Under U.S. GAAP, the in-process research and development acquired from Protiva was expensed at the time of acquisition as it has no alternative future use. The impact of this difference for years ended and as at December 31, 2008, 2009 and 2010 is described in note 14 to the consolidated financial statements.

Summary Financial Information
Under U.S. GAAP (in thousands of Canadian dollars, except per share amounts)

	Year Ended December 31,				
	2010	2009	2008	2007	2006
	$	$	$	$	$
Operating Data					
Revenue	21,355	14,428	11,732	15,769	15,857
Expenses	33,870	22,905	40,716	13,155	17,817
Income (Loss) from operations	(12,515)	(8,477)	(28,984)	2,613	(1,960)
Net and comprehensive income (loss)	(12,415)	(8,749)	(29,920)	(2,558)	21,075
Weighted average number of common shares—basic[(1)]	10,333	10,325	8,116	4,770	3,857
Weighted average number of common shares—diluted[(1)]	10,333	10,325	8,116	4,770	3,857
Income (Loss) per common share—basic	(1.20)	(0.85)	(3.69)	(0.54)	5.46
Income (Loss) per common share—diluted	(1.20)	(0.85)	(3.69)	(0.54)	5.46
Balance Sheet Data					
Total current assets	17,909	25,958	33,261	23,068	6,451
Total assets	21,022	29,279	35,871	24,593	7,034
Total liabilities	10,290	6,816	4,933	6,401	6,853
Share capital	229,492	229,427	229,412	195,317	180,238

	Year Ended December 31,				
	2010	2009	2008	2007	2006
	$	$	$	$	$
Total Stockholders' equity	10,733	22,463	30,938	18,192	181
Number of shares outstanding[1]	10,339	10,329	10,325	4,913	3,857

(1) On April 30, 2007, Inex's (Tekmira's predecessor company) common shares were consolidated on a basis of two current common shares for one new common share. On November 4, 2010, Tekmira completed a consolidation of its common shares whereby five old common shares of Tekmira were exchanged for one new common share of Tekmira. Except as otherwise indicated, all references to common shares, common shares outstanding, average number of common shares outstanding, per share amounts and options in this document have been restated to reflect the common shares consolidation on a retroactive basis.

We have never declared or paid any cash dividends.

Exchange Rate

The closing exchange rate between the Canadian dollar and the U.S. dollar was CDN$0.9464 per US$1.00 (or US$1.0566 per CDN$1.00) using the Bank of Canada exchange rate on April 30, 2011.

The average exchange rates for the financial periods of Tekmira listed above (based on the average exchange rate for each period using the average of the closing exchange rates on the last day of each month during the period in accordance with the exchange rates provided by the Bank of Canada) are as follows:

	Year Ended December 31,				
	2010	2009	2008	2007	2006
Period end	$0.9946	$1.0466	$1.2246	$0.9881	$1.1653
Average	$1.0304	$1.1374	$1.0716	$1.0659	$1.1308
High	$1.0745	$1.3000	$1.2970	$1.1853	$1.1726
Low	$0.9360	$1.0292	$0.9719	$0.9170	$1.0990

The high and low exchange rates between the Canadian dollar and the U.S. dollar for the past six months (provided by the Bank of Canada) are as follows:

	Exchange rate CDN$ per US$1.00	
Month	High	Low
May 2011	$0.9816	$0.9479
April 2011	$0.9675	$0.9464
March 2011	$0.9918	$0.9687
February 2011	$0.9958	$0.9714
January 2011	$1.0015	$0.9869
December 2010	$1.0175	$0.9946

3B. Capitalization and Indebtedness

Not applicable.

3C. Reasons for the Offer and Use of Proceeds

Not applicable.

3D. Risk Factors

An investment in our common shares is highly speculative and involves a high degree of risk. We may face a variety of risks that may affect our operations or financial results, and many of those risks are driven by factors that we cannot control or predict. Before investing in our common shares, investors should carefully consider the following risks. If any of the following risks actually occurs, our business, prospects, financial condition and results of operations could be materially adversely affected. In that case, investors may lose all or a part of their investment. You should not consider an investment in our common shares unless you are capable of sustaining an economic loss of the entire investment.

Risks Related to Our Business

We are in the early stages of our development and because we have a short development history with Ribonucleic Acid interference ("RNAi"), there is a limited amount of information about us upon which you can evaluate our RNAi business and prospects.

We have not begun to market or generate revenues from the commercialization of any products. We have only a limited history upon which one can evaluate our RNAi business and prospects as our RNAi therapeutic products are still at an early stage of development and thus we have limited experience and have not yet demonstrated an ability to successfully overcome many of the risks and uncertainties frequently encountered by companies in new and rapidly evolving fields, particularly in the biopharmaceutical area. For example, to execute our business plan, we will need to successfully:

- execute product development activities using an unproven technology;
- build, maintain and protect a strong intellectual property portfolio;
- gain acceptance for the development and commercialization of any product we develop;
- develop and maintain successful strategic relationships; and
- manage our spending as our expenses are expected to increase due to clinical trials, regulatory approvals, commercialization and our recently launched lawsuit against Alnylam.

If we are unsuccessful in accomplishing these objectives, we may not be able to develop products, raise capital, expand our business or continue our operations.

The approach we are taking to discover and develop novel drug products is unproven and may never lead to marketable drug products.

We intend to concentrate our internal research and development efforts in the future on RNAi technology, and our future success depends in part on the successful development of RNAi technology and products based on RNAi technology. While RNAi technology is based on a naturally occurring process that takes place inside cells, which can suppress the production of specific proteins, and has the potential to generate therapeutic drugs that take advantage of that process, neither we nor any other company has received regulatory approval to market a therapeutic product based on RNAi technology. The scientific discoveries that form the basis for our efforts to discover and develop new products are relatively new. While there are a number of RNAi therapeutics in development, very few product candidates based on these discoveries have ever been tested in humans and there can be no assurance that any RNAi therapeutic product will be approved for commercial use.

Further, our focus solely on RNAi technology for developing products, as opposed to multiple, more proven technologies for product development, increases our risks. If we are not successful in developing a product candidate using RNAi technology, we may be required to change the scope and direction of our product development activities. In that case, we may not be able to identify and implement successfully an alternative product development strategy.

Risks Related to Our Financial Results and Need for Financing

We will require substantial additional capital to fund our operations. If additional capital is not available, we may need to delay, limit or eliminate our research, development and commercialization processes and may need to undertake a restructuring.

At December 31, 2010 we had $7.6 million in working capital and $11.8 million in working capital excluding deferred revenue. We believe that our current funds on hand plus expected income including funds from our collaborative partners and the U.S. Government will be sufficient to continue our product development into the second quarter of 2012. 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:

- legal costs incurred in connection with our lawsuit against Alnylam;
- revenues earned from our collaborative partnerships, including Alnylam;
- revenues earned from our U.S. Government contract to develop TKM-Ebola;
- the extent to which we continue the development of our product candidates 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. In addition, we have not established bank financing arrangements and there can be no assurance that we will be able to establish such arrangements or that bank financing can be arranged on satisfactory terms, or at all.

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.

We have incurred losses in nearly every year since our inception and we anticipate that we will not achieve sustained profits for the foreseeable future. To date, we have had no product revenues.

With the exception of the year ended December 31, 2006, we have incurred losses since inception and have not received any revenues other than from research and development collaborations, license fees and milestone payments. From inception to December 31, 2010, we have an accumulated net deficit of $248.9 million. As we continue our research and development and clinical trials and seek regulatory approval for the sale of our product candidates, we do not expect to attain sustained profitability for the foreseeable future. We do not expect to achieve sustained profits until such time as strategic alliance payments, product sales and royalty payments, if any, generate sufficient revenues to fund our continuing operations. We cannot predict if we will ever achieve profitability and, if we do, we may not be able to remain consistently profitable or increase our profitability.

Risks Related to Our Dependence on Third Parties

We expect to depend on our existing and new collaborators for a significant portion of our revenues and to develop, conduct clinical trials with, obtain regulatory approvals for, and manufacture, market and sell some of our product candidates. If these collaborations are unsuccessful, our business could be adversely affected.

We expect that we will depend in part on our Alnylam collaboration to provide revenue to fund our operations, especially in the near term. This collaboration represented 29% of our operating revenue for the fiscal year 2010. Furthermore, our strategy is to enter into various additional arrangements with corporate and academic collaborators, licensors, licensees and others for the research, development, clinical testing, manufacturing, marketing and commercialization of our products. We may be unable to continue to establish such collaborations, and any collaborative arrangements we do establish may be unsuccessful.

Should any collaborative partner fail to develop or ultimately successfully commercialize any of the products to which it has obtained rights, our business may be adversely affected. In addition, once initiated, there can be no assurance that any of these collaborations will be continued or result in successfully commercialized products. In particular, there is now a risk that our collaboration with Alnylam could be adversely affected, following our initiation of a lawsuit against Alnylam. Failure of a collaborative partner to continue funding any particular program could delay or halt the development or commercialization of any products arising out of such program. In addition, there can be no assurance that the collaborative partners will not pursue alternative technologies or develop alternative products either on their own or in collaboration with others, including our competitors, as a means for developing treatments for the diseases targeted by our programs.

We expect the U.S. Government to fund our TKM-Ebola program through to completion of a Phase 1 human safety clinical trial and possibly beyond that to FDA drug approval. The quantum and timing of funding may not be what we have projected and the U.S. Government could cancel this funding at any time.

The contract we signed with the U.S. Government on July 14, 2010 is for funding of up to US$34.7 million for our TKM-Ebola program through to the completion of a Phase 1 human safety clinical trial. The U.S. Government may later extend the contract to cover the entire TKM-Ebola program through to FDA drug approval.

This is our first U.S. Government contract of any notable size. Our lack of experience in dealing with the U.S. Government brings uncertainty into our cash flow projections and uncertainty into our ability to execute the contract within U.S. Government requirements. Furthermore, there is inherent risk in projecting cash flows years ahead for such a complex program.

The quantum and timing of funding for the TKM-Ebola program may not be what we have projected and under the terms of the contract the U.S. Government could cancel this funding, which is paid through monthly reimbursements, at any time.

We rely on third parties to conduct our clinical trials, and if they fail to fulfill their obligations, our development plans may be adversely affected.

We rely on independent clinical investigators, contract research organizations and other third-party service providers to assist us in managing, monitoring and otherwise carrying out our clinical trials. We have contracted with, and we plan to continue to contract with, certain third parties to provide certain services, including site selection, enrolment, monitoring and data management services. Although we depend heavily on these parties, we do not control them and therefore, we cannot be assured that these third parties will adequately perform all of their contractual obligations to us. If our third-party service providers cannot adequately fulfill their obligations to us on a timely and satisfactory basis or if the quality or accuracy of our clinical trial data is compromised due to failure to adhere to our protocols or regulatory requirements, or if such third parties otherwise fail to meet deadlines, our development plans may be delayed or terminated.

We have no sales, marketing or distribution experience and would have to invest significant financial and management resources to establish these capabilities.

We have no sales, marketing or distribution experience. We currently expect to rely heavily on third parties to launch and market certain of our products, if approved. However, if we elect to develop internal sales, distribution and marketing capabilities, we will need to invest significant financial and management resources. For products where we decide to perform sales, marketing and distribution functions ourselves, we could face a number of additional risks, including:

- we may not be able to attract and build a significant marketing or sales force;
- the cost of establishing a marketing or sales force may not be justifiable in light of the revenues generated by any particular product; and
- our direct sales and marketing efforts may not be successful.

If we are unable to develop our own sales, marketing and distribution capabilities, we will not be able to successfully commercialize our products, if approved, without reliance on third parties.

We will rely on third-party manufacturers to manufacture our products (if approved) in commercial quantities, which could delay, prevent or increase the costs associated with the future commercialization of our products.

Our product candidates have not yet been manufactured for commercial use. If any of our product candidates becomes approved for commercial sale, in order to supply our or our collaborators' commercial requirements for such an approved product, we will need to establish third-party manufacturing capacity. Any third-party manufacturing partner may be required to fund capital improvements to support the scale-up of manufacturing and related activities. The third-party manufacturer may not be able to establish scaled manufacturing capacity for any an approved product in a timely or economic manner, if at all. If any manufacturer is unable to provide commercial quantities of such an approved product, we will have to successfully transfer manufacturing technology to a new manufacturer. Engaging a new manufacturer for such an approved product could require us to conduct comparative studies or utilize other means to determine bioequivalence of the new and prior manufacturers' products, which could delay or prevent our ability to commercialize such an approved product. If any of these manufacturers is unable or unwilling to increase its manufacturing capacity or if we are unable to establish alternative arrangements on a timely basis or on acceptable terms, the development and commercialization of such an approved product may be delayed or there may be a shortage in supply. Any inability to manufacture our products in sufficient quantities when needed would seriously harm our business.

Manufacturers of our approved products, if any, must comply with cGMP requirements enforced by the FDA and Health Canada through facilities inspection programs. These requirements include quality control, quality assurance, and the maintenance of records and documentation. Manufacturers of our approved products, if any, may be unable to comply with these cGMP requirements and with other FDA, Health Canada, state, and foreign regulatory requirements. We have little control over our manufacturers' compliance with these regulations and standards. A failure to comply with these requirements may result in fines and civil penalties, suspension of production, suspension or delay in product approval, product seizure or recall, or withdrawal of product approval. If the safety of any quantities supplied is compromised due to our manufacturer's failure to adhere to applicable laws or for other reasons, we may not be able to obtain regulatory approval for or successfully commercialize our products, which would seriously harm our business.

Risks Related to Managing Our Operations

We are dependent on certain members of our management and scientific staff. The loss of services of one or more of these staff members could adversely affect us.

We depend on our senior executive officers as well as key scientific, management and other personnel. The competition for qualified personnel in the biotechnology field is intense. We rely heavily on our ability to attract and retain qualified managerial, scientific and technical personnel. While we currently have employment contracts with our key personnel and are not aware that any are planning to leave or retire, we may not be able to successfully attract and retain skilled and experienced personnel in the future. In particular, we rely on our President and Chief Executive Officer, Mark J. Murray, Ph.D., and our Executive Vice President and Chief Science Officer, Ian MacLachlan, Ph.D. Drs. Murray and MacLachlan both joined us in May 2008 concurrent with the closing the business combination between Tekmira and Protiva and were both founders of and occupied positions of senior leadership at Protiva. Dr. Murray has over 20 years of experience in both

the R&D and business development and management facets of the biotechnology industry and Dr. MacLachlan has been active in molecular therapeutics for more than a decade. If we were to lose either of their services, our ability to develop our technology, add to our pipeline, advance our product candidates and our ability to manage our operations and relationships with third parties would be adversely affected.

We may have difficulty managing our growth and expanding our operations successfully as we seek to evolve from a company primarily involved in discovery and pre-clinical testing into one that develops and commercializes products.

As product candidates we develop enter and advance through clinical trials, we will need to expand our development, regulatory, manufacturing, clinical and medical capabilities or contract with other organizations to provide these capabilities for us. As our operations expand, we expect that we will need to manage additional relationships with various collaborators, suppliers and other organizations. Our ability to manage our operations and growth will require us to continue to improve our operational, financial and management controls, reporting systems and procedures. We may not be able to implement improvements to our management information and control systems in an efficient or timely manner and may discover deficiencies in existing systems or controls.

We could face liability from our controlled use of hazardous and radioactive materials in our research and development processes.

We use certain radioactive materials, biological materials and chemicals, including organic solvents, acids and gases stored under pressure, in our research and development activities. Our use of radioactive materials is regulated by the Canadian Nuclear Safety Commission for the possession, transfer, import, export, use, storage, handling and disposal of radioactive materials. Our use of biological materials and chemicals, including the use, manufacture, storage, handling and disposal of such materials and certain waste products is regulated by a number of federal, provincial and local laws and regulations. Although we believe that our safety procedures for handling such materials comply with the standards prescribed by such laws and regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. In the event of such an accident, we could be held liable for any damages that result and any such liability could exceed our resources. We are not specifically insured with respect to this liability.

Our business and operations could suffer in the event of information technology system failures.

Despite the implementation of security measures, our internal computer systems and those of our contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war, and telecommunication and electrical failures. Such events could cause interruption of our operations. For example, the loss of pre-clinical trial data or data from completed or ongoing clinical trials for our product candidates could result in delays in our regulatory filings and development efforts and significantly increase our costs. To the extent that any disruption or security breach were to result in a loss of or damage to our data, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the development of our product candidates could be delayed.

Increased costs associated with corporate governance compliance may significantly affect our results of operations.

Compliance with the Sarbanes-Oxley Act of 2002 may require changes in some of our corporate governance and securities disclosure and compliance practices, and will require thorough documentation and evaluation of our internal control procedures. We expect this to increase our legal compliance and financial reporting costs. This could also make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur higher costs to obtain coverage. In addition, this could make it more difficult for us to attract and retain qualified members of our board of directors, or qualified executive officers.

Our internal controls over financial reporting may not be adequate and our independent auditors may not be able to certify as to their adequacy, which could have a significant and adverse effect on our business and reputation.

Our current reporting on internal controls over financial reporting (ICFR), complies with Canadian public company requirements under National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*. Under National Instrument 52-109 our certifying officers can use whatever means they consider appropriate to satisfy themselves that disclosure of material weaknesses and changes in ICFR are appropriately disclosed in our Management's Discussion and Analysis. To date, we have not reported any material weaknesses or changes in our ICFR. Under the U.S. Securities Exchange Commission rules that apply to us since listing on the NASDAQ Capital Market if our market capitalization, excluding affiliated stockholders, at June 30 of any fiscal year is greater than US$75 million then we will be required to obtain independent registered public accounting firm certification on the adequacy of our internal controls over financial reporting for that fiscal year, as required by Section 404 of the Sarbanes Oxley Act of 2002 ("SOX Section 404"). Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. As an early-stage company, our internal controls may be weaker than those of more established corporations.

We have not tested our internal controls over financial reporting in accordance with SOX Section 404. If we were unable to implement the appropriate controls and procedures required by SOX Section 404 in a timely manner or otherwise

to comply with SOX Section 404, management might not be able to certify, and our independent registered public accounting firm might not be able to report on, the adequacy of our internal controls over financial reporting. As a result, there could be an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. In addition, we may be required to incur costs in improving our internal control system and the hiring of additional personnel.

Risks Related to Our Industry

Risks Related to Development, Clinical Testing and Regulatory Approval of Our Product Candidates

The manufacture and sale of human therapeutic products are governed by a variety of statutes and regulations. There can be no assurance that our product candidates will obtain regulatory approval.

To obtain marketing approval, U.S. and Canadian laws require:

- controlled research and human clinical testing;
- establishment of the safety and efficacy of the product for each use sought;
- government review and approval of a submission containing manufacturing, preclinical and clinical data;
- adherence to Good Manufacturing Practice Regulations during production and storage; and
- control of marketing activities, including advertising and labelling.

The product candidates we currently have under development will require significant development, preclinical and clinical testing and investment of significant funds before their commercialization. Some of our product candidates, if approved, will require the completion of post-market studies. There can be no assurance that such products will be developed. The process of completing clinical testing and obtaining required approvals is likely to take a number of years and require the use of substantial resources. If we fail to obtain regulatory approvals, our operations will be adversely affected. Further, there can be no assurance that future product candidates will be shown to be safe and effective in clinical trials or receive applicable regulatory approvals.

Other markets have regulations and restrictions similar to those in the U.S. and Canada. Investors should be aware of the risks, problems, delays, expenses and difficulties which we may encounter in view of the extensive regulatory environment which affects our business.

If testing of a particular product candidate does not yield successful results, then we will be unable to commercialize that product candidate.

We must demonstrate our product candidates' safety and efficacy in humans through extensive clinical testing. Our research and development programs are at an early stage of development. We may experience numerous unforeseen events during, or as a result of, the testing process that could delay or prevent commercialization of any products, including the following:

- the results of preclinical studies may be inconclusive, or they may not be indicative of results that will be obtained in human clinical trials;
- safety and efficacy results attained in early human clinical trials may not be indicative of results that are obtained in later clinical trials;
- after reviewing test results, we or our collaborators may abandon projects that we might previously have believed to be promising;
- we, our collaborators or regulators, may suspend or terminate clinical trials because the participating subjects or patients are being exposed to unacceptable health risks; and
- our product candidates may not have the desired effects or may include undesirable side effects or other characteristics that preclude regulatory approval or limit their commercial use if approved.

Clinical testing is very expensive, can take many years, and the outcome is uncertain. The data collected from our clinical trials may not be sufficient to support approval of our product candidates by the regulatory authorities. The clinical trials of our product candidates may not be completed on schedule, and the regulatory authorities may not ultimately approve any of our product candidates for commercial sale. If we fail to adequately demonstrate the safety and efficacy of a product candidate, this would delay or prevent regulatory approval of the product candidate, which could prevent us from achieving profitability.

It may take us longer than we are currently projecting to complete our clinical trials, and we may not be able to complete them at all.

Although for planning purposes we project the commencement, continuation and completion of our clinical trials, a number of factors, including scheduling conflicts with participating clinicians and clinical institutions, and difficulties in identifying or enrolling patients who meet trial eligibility criteria, may cause significant delays. We may not commence or complete clinical trials involving any of our product candidates as projected or may not conduct them successfully.

We rely on academic institutions or clinical research organizations to conduct, supervise or monitor some or all aspects of clinical trials involving our product candidates. We will have less control over the timing and other aspects of these clinical trials than if we conducted them entirely on our own. If we fail to commence or complete, or if we experience delays in, any of our planned clinical trials, our ability to conduct business as currently planned could be harmed.

Even if we achieve regulatory approval, future regulatory reviews or inspections may result in the suspension or withdrawal of one or more of our products, closure of a facility or enforcement of substantial fines.

If regulatory approval to sell any of our product candidates is received, regulatory agencies may, nevertheless, limit the categories of patients who can use them. In addition, regulatory agencies subject a marketed product, its manufacture and the manufacturers' facilities to continual review and periodic inspection. If previously unknown problems with a product or manufacturing and laboratory facility are discovered or we fail to comply with applicable regulatory approval requirements, a regulatory agency may impose restrictions on that product or on us. The agency may require the withdrawal of the product from the market, closure of the facility or enforcement of substantial fines.

Our ability to successfully commercialize human therapeutic products may depend in part on reimbursement for the cost of such products and related treatments from government health administration authorities, private health coverage insurers and other organizations.

Third-party payers are increasingly challenging the price of medical products and services. Significant uncertainty exists as to the reimbursement status of newly approved healthcare products, and adequate third-party coverage may not be available to establish price levels sufficient for us to realize an appropriate return on our investment in product development. When we partner our product candidates we will typically be relying on that partner to obtain cost reimbursement from third parties for the product candidate.

Product candidates we develop, if approved for marketing, may be slow to achieve market acceptance or gain market acceptance at all.

The product candidates that we are trying to develop will compete with a number of drugs and therapies currently on the market, as well as products currently under development. The rate and degree of market acceptance of our products will depend on a number of factors, including the establishment and demonstration in the medical community of the clinical efficacy and safety of our products and their potential advantage over alternative treatments. There is no assurance that physicians, patients or the medical community in general will accept and utilize any products that we may develop.

We face potential product liability exposure, and if successful claims are brought against us, we may incur substantial liability for a product candidate and may have to limit its commercialization.

The use of our product candidates in clinical trials and the sale of any products for which we obtain marketing approval expose us to the risk of product liability claims. Product liability claims might be brought against us by consumers, health-care providers, pharmaceutical companies, or others selling our products. If we cannot successfully defend ourselves against these claims, we will incur substantial liabilities. Regardless of merit or eventual outcome, product liability claims may result in:

- decreased demand for our product candidates;
- impairment of our business reputation;
- withdrawal of clinical trial participants;
- costs of related litigation;
- substantial monetary awards to patients or other claimants;
- loss of revenues; and
- the inability to commercialize our product candidates.

Although we currently have product liability insurance coverage for our clinical trials for expenses or losses, our insurance coverage is limited to US$10 million per occurrence, and US$10 million in the aggregate, and may not reimburse us or may not be sufficient to reimburse us for any or all expenses or losses we may suffer. Moreover, insurance coverage is becoming increasingly expensive and, in the future, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. We intend to expand our insurance coverage to include the sale of commercial products if we obtain marketing approval for our product candidates in development, but we may be unable to obtain commercially reasonable product liability insurance for any products approved for marketing. On occasion, large judgments have been awarded in class action lawsuits based on products that had unanticipated side effects. A successful product liability claim or series of claims brought against us could cause our stock price to fall and, if judgments exceed our insurance coverage, could decrease our cash and adversely affect our business.

Risks Related to Patents, Licenses and Trade Secrets

Other companies or organizations may assert patent rights that prevent us from developing or commercializing our products.

RNA interference is a relatively new scientific field that has generated many different patent applications from organizations and individuals seeking to obtain patents in the field. These applications claim many different methods,

compositions and processes relating to the discovery, development and commercialization of RNAi therapeutic products. Because the field is so new, very few of these patent applications have been fully processed by government patent offices around the world, and there is a great deal of uncertainty about which patents will be issued, when, to whom, and with what claims. It is likely that there will be litigation and other proceedings, such as interference and opposition proceedings in various patent offices, relating to patent rights in the RNAi field.

In addition, there are many issued and pending patents that claim aspects of small interfering RNA ("siRNA") chemistry technology that we may need to apply to our product candidates. There are also many issued patents that claim genes or portions of genes that may be relevant for siRNA drug products we wish to develop. Thus, it is possible that one or more organizations will hold patent rights to which we will need a license. If those organizations refuse to grant us a license to such patent rights on reasonable terms, we will not be able to market products or perform research and development or other activities covered by these patents.

Our patents and patent applications may be challenged and may be found to be invalid, which could adversely affect our business.

Certain Canadian, U.S. and international patents and patent applications we own involve complex legal and factual questions for which important legal principles are largely unresolved. For example, no consistent policy has emerged for the breadth of biotechnology patent claims that are granted by the U.S. Patent and Trademark Office or enforced by the U.S. federal courts. In addition, the coverage claimed in a patent application can be significantly reduced before a patent is issued. Also, we face the following intellectual property risks:

- some or all patent applications may not result in the issuance of a patent;
- patents issued may not provide the holder with any competitive advantages;
- patents could be challenged by third parties;
- the patents of others, including Alnylam, could impede our ability to do business;
- competitors may find ways to design around our patents; and
- competitors could independently develop products which duplicate our products.

A number of industry competitors, including Alnylam, and institutions have developed technologies, filed patent applications or received patents on various technologies that may be related to or affect our business. Some of these technologies, applications or patents may conflict with our technologies or patent applications. Such conflict could limit the scope of the patents, if any, that we may be able to obtain or result in the denial of our patent applications. In addition, if patents that cover our activities are issued to other companies, there can be no assurance that we would be able to obtain licenses to these patents at a reasonable cost or be able to develop or obtain alternative technology. If we do not obtain such licenses, we could encounter delays in the introduction of products, or could find that the development, manufacture or sale of products requiring such licenses is prohibited. In addition, we could incur substantial costs in defending patent infringement suits brought against us or in filing suits against others to have such patents declared invalid.

As publication of discoveries in the scientific or patent literature often lags behind actual discoveries, we cannot be certain we or any licensor was the first creator of inventions covered by pending patent applications or that we or such licensor was the first to file patent applications for such inventions. If we were to participate in interference proceedings declared by the U.S. Patent and Trademark Office to determine priority of invention, this could result in substantial costs, even if the eventual outcome were favourable. There can be no assurance that our patents, if issued, will be held valid or enforceable by a court or that a competitor's technology or product would be found to infringe such patents.

Our business depends on our ability to use RNAi technology that we have licensed or will in the future license from third parties, including Alnylam, and, if these licenses were terminated or if we were unable to license additional technology we may need in the future, our business will be adversely affected.

We currently hold licenses for certain technologies that are or may be applicable to our current and subsequent product candidates. These include licenses to core siRNA patents held or applied for by Alnylam and certain lipid nanoparticle delivery technologies from the University of British Columbia (UBC). The Alnylam licenses are subject to termination if we were to challenge the validity of Alnylam patents licensed to us or otherwise applicable to products Alnylam may develop or commercialize under licenses from us, or in the event of a breach by us of the licenses or of certain of our other agreements with Alnylam, if we fail to cure the breach following notice and the passage of a cure period. The UBC license is subject to termination with respect to one or more particular patents if we and Alnylam were to cease patent prosecution or maintenance activities with respect to such patent(s), or in the event of a breach by us of the license, if we fail to cure the breach following notice and the passage of a cure period. There can be no assurance that these licenses will not be terminated, especially in light of our recently filed lawsuit against Alnylam. We may also need to acquire additional licenses in the future to technologies developed by others, including Alnylam. For example, our agreement with Alnylam allows us to develop products on our own, using specified intellectual property held by Alnylam, with respect to up to eight gene targets. We have selected five of these gene targets, ApoB, PLK1, Ebola, WEE1 and CSN5, for which our licenses from Alnylam are non-exclusive. We have rights to select the gene targets for up to three more exclusive licenses from Alnylam. These additional three gene targets will be available to us only if they have

not been previously selected by Alnylam or one of its other partners. This will limit the targets available for selection by us, and we may never be able to select gene targets or may be required to make our selection from gene targets that have minimal commercial potential. Furthermore, future license agreements may require us to make substantial milestone payments. We will also be obligated to make royalty payments on the sales, if any, of products resulting from licensed RNAi technology. For some of our licensed RNAi technology, we are responsible for the costs of filing and prosecuting patent applications. The termination of a license or the inability to license future technologies on acceptable terms may adversely affect our ability to develop or sell our products.

We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights which could have a material adverse effect on our business, financial condition and results of operations and could cause the market value of our common shares to decline.

There has been significant litigation in the biotechnology industry over patents and other proprietary rights, and we are or may become involved in various types of litigation that arise from time to time. Involvement in litigation could consume a substantial portion of our resources, regardless of the outcome of the litigation. Counterparties in litigation may be better able to sustain the costs of litigation because they have substantially greater resources. If claims against us are successful, in addition to any potential liability for damages, we could be required to obtain a license, grant cross-licenses, and pay substantial royalties in order to continue to manufacture or market the affected products. Involvement and continuation of involvement in litigation may result in significant and unsustainable expense, and divert management's attention from ongoing business concerns and interfere with our normal operations. Litigation is also inherently uncertain with respect to the time and expenses associated therewith, and involves risks and uncertainties in the litigation process itself, such as discovery of new evidence or acceptance of unanticipated or novel legal theories, changes in interpretation of the law due to decisions in other cases, the inherent difficulty in predicting the decisions of judges and juries and the possibility of appeals. Ultimately we could be prevented from commercializing a product or be forced to cease some aspect of our business operations as a result of claims of patent infringement or violation of other intellectual property rights and the costs associated with litigation, which could have a material adverse effect on our business, financial condition, and operating results and could cause the market value of our common shares to decline.

On March 16, 2011 we announced that we had filed a lawsuit against Alnylam. On April 6, 2011 Alnylam filed an answer and counterclaim to our suit. On June 3, 2011, we filed an amended complaint against Alnylam. The final outcome of this litigation is not presently determinable or estimable and may result in an outcome that is unfavorable to Tekmira. There may be no basis for which Tekmira has any rights or entitlement to damages from Alnylam in the quantum anticipated by Tekmira, or at all. Additionally, we could be subject to further counterclaims or other actions in Alnylam's defense strategy that may require us to respond or take action, which could require us to incur additional expense. Legal expenses and the outcome of the litigation with Alnylam are uncertain and may exceed current estimates, which may have a material adverse effect on our financial position and ongoing business strategy. See "*Litigation*" for more detail on the ligation with Alnylam.

Confidentiality agreements with employees and others, including collaborators, may not adequately prevent disclosure of trade secrets and other proprietary information.

Much of our know-how and RNAi technology may constitute trade secrets. There can be no assurance, however, that we will be able to meaningfully protect our trade secrets. In order to protect our proprietary RNAi technology and processes, we rely in part on confidentiality agreements with our collaborators, employees, vendors, consultants, outside scientific collaborators and sponsored researchers, and other advisors. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such party. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

Risks Related to Competition

The pharmaceutical market is intensely competitive. If we are unable to compete effectively with existing drugs, new treatment methods and new technologies, we may be unable to successfully commercialize any product candidates that we develop.

The pharmaceutical market is intensely competitive and rapidly changing. Many large pharmaceutical and biotechnology companies, academic institutions, governmental agencies and other public and private research organizations are pursuing the development of novel drugs for the same diseases that we are targeting or expect to target. Many of our competitors have:

- much greater financial, technical and human resources than we have at every stage of the discovery, development, manufacture and commercialization process;
- more extensive experience in pre-clinical testing, conducting clinical trials, obtaining regulatory approvals, and in manufacturing, marketing and selling pharmaceutical products;
- product candidates that are based on previously tested or accepted technologies;

- products that have been approved or are in late stages of development; and
- collaborative arrangements in our target markets with leading companies and research institutions.

We will face intense competition from products that have already been approved and accepted by the medical community for the treatment of the conditions for which we are currently developing products. We also expect to face competition from new products that enter the market. We believe a significant number of products are currently under development, and may become commercially available in the future, for the treatment of conditions for which we may try to develop products. These products, or other of our competitors' products, may be more effective, safer, less expensive or marketed and sold more effectively, than any products we develop.

We are aware of other companies developing drugs to treat high cholesterol, some with compounds at a later stage of development than our product candidate TKM-ApoB. There are several drugs currently approved for treatment of high cholesterol including the statins, such as Lipitor and Crestor, fibrates and bile acid sequestrant drugs. Many new agents are in development for the treatment of high cholesterol including an antisense drug targeting ApoB (mipomersen, ISIS 301012) which is being developed by Isis Pharmaceuticals, Inc. and Genzyme Corporation, a wholly-owned subsidiary of Sanofi-aventis. Mipomersen has shown promising clinical activity in recently completed Phase 3 studies and according to Genzyme drug approval will be sought in 2011.

There are also a large number of companies that are developing new agents for use in cancer therapy including RNAi therapeutics, and there are other companies developing small molecule drugs designed to inhibit the PLK1 target, including Boehringer Ingelheim. These agents may be competitive with our product candidate TKM-PLK1.

If we successfully develop product candidates, and obtain approval for them, we will face competition based on many different factors, including:

- the safety and effectiveness of our products;
- the ease with which our products can be administered and the extent to which patients accept new routes of administration;
- the timing and scope of regulatory approvals for these products;
- the availability and cost of manufacturing, marketing and sales capabilities;
- price;
- reimbursement coverage; and
- patent position.

Our competitors may develop or commercialize products with significant advantages over any products we develop based on any of the factors listed above or on other factors. Our competitors may therefore be more successful in commercializing their products than we are, which could adversely affect our competitive position and business. Competitive products may make any products we develop obsolete or noncompetitive before we can recover the expenses of developing and commercializing our product candidates. Such competitors could also recruit our employees, which could negatively impact our level of expertise and the ability to execute on our business plan. Furthermore, we also face competition from existing and new treatment methods that reduce or eliminate the need for drugs, such as the use of advanced medical devices. The development of new medical devices or other treatment methods for the diseases we are targeting and may target could make our product candidates noncompetitive, obsolete or uneconomical.

We face competition from other companies that are working to develop novel products using technology similar to ours. If these companies develop products more rapidly than we do or their technologies, including delivery technologies, are more effective than ours, then our ability to successfully commercialize products will be adversely affected.

In addition to the competition we face from competing products in general, we also face competition from other companies working to develop novel products using technology that competes more directly with our own. There are multiple companies that are working in the field of RNAi, including major pharmaceutical companies such as Novartis International AG, Takeda Pharmaceutical Company Limited, and Merck, and biotechnology companies such as Alnylam, Quark Pharmaceuticals, Inc., Silence Therapeutics plc, Calando Pharmaceuticals Inc., Marina Biotech, Inc., RXi Pharmaceuticals Corporation, Dicerna Pharmaceuticals, Inc. and Opko Health, Inc. Any of these companies may develop its RNAi technology more rapidly and more effectively than we do or may develop products against the same target or disease indication that we are pursuing.

We also compete with companies working to develop antisense-based drugs. Like RNAi therapeutic products, antisense drugs target messenger RNAs, or mRNAs, in order to suppress the activity of specific genes. Isis Pharmaceuticals, Inc. is the developer of a currently approved antisense drug and has several antisense product candidates in clinical trials. Isis has also licensed its antisense technology to a number of other companies that are developing antisense-based drugs. The development of antisense drugs is more advanced than that of RNAi therapeutic products, and antisense technology may become the preferred technology for products that target mRNAs to silence specific genes.

In addition to competition with respect to RNAi and with respect to specific products, we face substantial competition to discover and develop safe and effective means to deliver siRNAs to the relevant cell and tissue types. Our competitors may develop safer and more effective means to deliver siRNAs to the relevant cell and tissue types than our existing lipid nanoparticle delivery technology, and our ability to successfully commercialize our products would be adversely affected. In addition, substantial resources are being expended by third parties in the effort to discover and develop alternative means of delivering siRNAs into the relevant cell and tissue types, both in academic laboratories and in the corporate sector. Some of our competitors have substantially greater resources than we do, and if our competitors are able to negotiate exclusive access to those delivery solutions developed by third parties, we may be unable to successfully commercialize our product candidates.

Risks Related to the ownership of our stock

If our stock price fluctuates, our investors could incur substantial losses.

The market price of our common shares may fluctuate significantly in response to factors that are beyond our control. The stock market in general has recently experienced extreme price and volume fluctuations. The market prices of securities of pharmaceutical and biotechnology companies have been extremely volatile, and have experienced fluctuations that often have been unrelated or disproportionate to the operating performance of these companies. These broad market fluctuations could result in extreme fluctuations in the price of our common shares, which could cause our investors to incur substantial losses.

We are incorporated in Canada and all of our assets, the majority of our officers and a significant number of our directors reside outside the United States, with the result that it may be difficult for investors to enforce any judgments obtained against us or some of our directors or officers.

We and our wholly-owned subsidiary, Protiva, are each incorporated under the laws of the Province of British Columbia and all of our assets are located outside the United States. In addition, the majority of our officers and a significant number of our directors are nationals or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. While we have appointed National Registered Agents, Inc. as our agent for service of process to effect service of process within the United States upon us, it may not be possible for you to enforce against us or those persons in the United States, judgments obtained in U.S. courts based upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States. In addition, there is doubt as to whether original action could be brought in Canada against us or our directors or officers based solely upon U.S. federal or state securities laws and as to the enforceability in Canadian courts of judgments of U.S. courts obtained in actions based upon the civil liability provisions of U.S. federal or state securities laws.

As a foreign private issuer, we are subject to different United States securities laws and rules than a domestic United States issuer, which may limit the information publicly available to our shareholders.

We are a "foreign private issuer" as defined under U.S. securities laws. As a result, even though we are subject to the informational requirements of the Exchange Act, as a foreign private issuer, we are exempt from certain informational requirements of the Exchange Act which domestic U.S. issuers are subject to, including, the annual report on Form 10-K, quarterly report on Form 10-Q, current reports on Form 8-K upon the occurrence of certain material events and the proxy rules under Section 14 of the Exchange Act. In addition, as a foreign private issuer we are exempt from the proxy solicitation rules under the Exchange Act. Furthermore, the insider reporting and short-profit provisions under Section 16 of the Exchange Act are not be applicable to us, therefore, our shareholders may not know on as timely a basis when our officers, directors and principal shareholders purchase or sell our common shares, as the reporting periods under the corresponding Canadian insider reporting requirements are longer. We intend to fulfill all informational requirements that do apply to us as a foreign private issuer under the Exchange Act by filing the more limited version of the annual report for foreign private issuers on Form 20-F and current reports on Form 6-K with the SEC, which contains information disclosed in response to the informational requirements of the securities commissions in all provinces of Canada.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses to us.

In order to maintain our current status as a foreign private issuer, a majority of our common shares must be either directly or indirectly owned by non-residents of the United States, unless we satisfy all of the additional requirements necessary to preserve this status. We may in the future lose our foreign private issuer status if a majority of our common shares are held in the United States and we fail to meet the additional requirements necessary to avoid loss of foreign private issuer status. If we are not a foreign private issuer, we would not be eligible to use certain foreign issuer forms and would be required to file periodic and current reports and registration statements on United States domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. In addition, we may lose the ability to rely upon exemptions from NASDAQ corporate governance requirements that are available to foreign private issuers. Further, if we engage in capital raising activities after losing our foreign private issuer status, there is a higher likelihood that investors may require us to file resale registration statements with the SEC as a condition to any such financing.

We believe we were classified as a passive foreign investment company for United States tax purposes for the fiscal year ended December 31, 2008 and for certain prior years. This may have adverse tax consequences for U.S. holders of our shares.

For the fiscal year ended December 31, 2008 and certain prior years we believe we were classified for United States income tax purposes as a passive foreign investment company ("PFIC"). We do not believe we are classified as a PFIC for the fiscal year ended December 31, 2009. We also do not believe that we are classified as a PFIC for the fiscal year ended December 31, 2010, although we have not requested or received an opinion from our U.S. tax advisor as to whether this is true. We could be classified as a PFIC in future fiscal years. If you are a U.S. holder of our shares and you purchased your shares in 2008 or certain prior years then any dividends we pay you may be taxed as ordinary income and not at preferential qualifying dividend tax rates, and upon any sale of our common shares, any capital gain may be taxed as ordinary income and not at preferential capital gains rates. The U.S. federal income tax consequences to a U.S. holder on the acquisition, ownership and disposition of common shares will also depend on whether such U.S. holder makes an election to treat us as a qualified electing fund, or QEF, under Section 1295 of the U.S. internal revenue code or a mark-to-market election under Section 1296 of the U.S. internal revenue code.

Our articles and certain Canadian laws could delay or deter a change of control.

Our preferred shares are available for issuance from time to time at the discretion of our board of directors, without shareholder approval. Our articles allow our board, without shareholder approval, to determine the special rights to be attached to our preferred shares, and such rights may be superior to those of our common shares.

In addition, limitations on the ability to acquire and hold our common shares may be imposed by the Competition Act in Canada. This legislation permits the Commissioner of Competition of Canada to review any acquisition of a significant interest in us. This legislation grants the Commissioner jurisdiction to challenge such an acquisition before the Canadian Competition Tribunal if the Commissioner believes that it would, or would be likely to, result in a substantial lessening or prevention of competition in any market in Canada. The Investment Canada Act subjects an acquisition of control of a company by a non-Canadian to government review if the value of our assets, as calculated pursuant to the legislation, exceeds a threshold amount. A reviewable acquisition may not proceed unless the relevant minister is satisfied that the investment is likely to result in a net benefit to Canada. Any of the foregoing could prevent or delay a change of control and may deprive or limit strategic opportunities for our shareholders to sell their shares.

The exercise of all or any number of outstanding stock options, the award of any additional options, bonus shares or other stock-based awards or any issuance of shares to raise funds or acquire a business may dilute your common shares.

We have in the past and may in the future grant to some or all of our directors, officers and employees options to purchase our common shares and other stock-based awards as non-cash incentives to those persons. The issuance of any equity securities could, and the issuance of any additional shares will, cause our existing shareholders to experience dilution of their ownership interests.

Any additional issuance of shares or a decision to acquire other businesses through the sale of equity securities, may dilute our investors' interests, and investors may suffer dilution in their net book value per share depending on the price at which such securities are sold. Such issuance may cause a reduction in the proportionate ownership and voting power of all other shareholders. The dilution may result in a decline in the price of our common shares or a change in control.

We do not expect to pay dividends for the foreseeable future.

We have not paid any dividends to date and we do not intend to declare dividends for the foreseeable future, as we anticipate that we will reinvest future earnings, if any, in the development and growth of our business. Therefore, investors will not receive any funds unless they sell their common shares, and shareholders may be unable to sell their shares on favourable terms or at all. We cannot assure you of a positive return on investment or that you will not lose the entire amount of your investment in our common shares. Prospective investors seeking or needing dividend income or liquidity should not purchase our common shares.

The value of our securities, including our common shares, might be affected by matters not related to our operating performance and could subject us to securities litigation.

The value of our common shares may be reduced for a number of reasons, many of which are outside our control:

- developments in our lawsuit against Alnylam;
- general economic and political conditions in Canada, the United States and globally;
- governmental regulation of the health care and pharmaceutical industries;
- failure to achieve desired drug discovery outcomes by us or our collaborators;
- failure to obtain industry partner and other third party consents and approvals, when required;
- stock market volatility and market valuations;
- competition for, among other things, capital, drug targets and skilled personnel;
- the need to obtain required approvals from regulatory authorities;
- revenue and operating results failing to meet expectations in any particular period;

- investor perception of the health care and pharmaceutical industries;
- limited trading volume of our common shares;
- announcements relating to our business or the businesses of our competitors; and
- our ability or inability to raise additional funds.

In the past, companies that have experienced volatility in their value have been the subject of securities class action litigation. There can be no assurance that we will not become involved in securities class action litigation in the future. Such litigation often results in substantial costs and diversion of management's attention and resources.

ITEM 4 INFORMATION ON THE COMPANY

We are a biopharmaceutical business focused on developing novel RNA interference therapeutics and providing our lipid nanoparticle delivery technology to pharmaceutical partners. We presently do not have any products approved for sale.

4A. History and Development of the Company

Name

Our legal and commercial name is Tekmira Pharmaceuticals Corporation.

Principal and Registered Offices

Our head office and principal place of business is located at 100—8900 Glenlyon Parkway, Burnaby, British Columbia, Canada, V5J 5J8 (telephone: (604) 419-3200). Our registered and records office is located at 700 West Georgia St, 25th Floor, Vancouver, British Columbia, Canada, V7Y 1B3.

Corporate History

Tekmira was incorporated pursuant to the British Columbia Business Corporations Act, or BCBCA, on October 6, 2005 and commenced active business on April 30, 2007 when Tekmira and its parent company, Inex Pharmaceuticals Corporation, or Inex, were reorganized under a statutory plan of arrangement (the Reorganization) completed under the provisions of the BCBCA. The Reorganization saw Inex's entire business transferred to and continued by Tekmira. In this discussion of corporate history the terms "we", "us" and "our" refer to the business of Inex for the time prior to the Reorganization and the business of Tekmira for the time after the Reorganization.

Since our formation in 1992, we have focused on developing lipid delivery technologies for different classes of therapeutic agents, including chemotherapy drugs and nucleic acid drugs. Our technology was applied to the development of Marqibo, a liposomal formulation of the chemotherapy drug vincristine. Marqibo, along with two other liposomal chemotherapy products, Alocrest (vinorelbine) and Brakiva (topotecan), were licensed to Talon Therapeutics, Inc. (Talon, formerly Hana Biosciences, Inc.) in 2006. Talon is now responsible for all future development of these products and we are entitled to receive milestone and royalty payments based on the successful development and commercialization of these three product candidates.

Since 2005, we have focused on developing lipid-based delivery technology for a class of nucleic acid drugs called small interfering RNA, or siRNA, molecules that mediate RNA interference, or RNAi. In 2006, we initiated a research collaboration with Alnylam Pharmaceuticals, Inc., or Alnylam, to combine their expertise in RNAi technology with our RNAi delivery technology. In January 2007, we entered into a License and Collaboration Agreement with Alnylam where we obtained, among other things, a worldwide license to certain Alnylam intellectual property for the research, development, manufacturing and commercialization of RNAi products directed at up to three gene targets for the treatment of human diseases, and Alnylam obtained exclusive access to Tekmira's delivery technology for siRNA and microRNA.

On May 30, 2008, we combined our business with that of Protiva Biotherapeutics, Inc., or Protiva. At the time of acquisition, Protiva was a private, venture-backed company incorporated under the laws of Canada and since 2003 had focused its business on developing lipid nanoparticle, or LNP, delivery technology for siRNA, a business similar to ours. Since commencing work on the delivery of siRNA, Protiva has filed several patent applications covering different LNP formulations, manufacturing processes and siRNA design to remove any immune stimulatory properties. At the time of acquisition, Protiva had licensed its LNP technology on a non-exclusive basis to Alnylam and Merck and had access to Alnylam's intellectual property for the research, development and commercialization of RNAi products directed at four gene targets.

The business combination was completed through our acquisition, under a share purchase agreement, of all the then outstanding shares of Protiva in consideration for common shares of Tekmira. Protiva is now our wholly-owned subsidiary. Concurrent with the completion of the business combination with Protiva, we entered into initial research agreements with F. Hoffman-La Roche Ltd and Hoffman La-Roche Inc., which we refer to together as Roche, and completed private placement investments of US$5.0 million (CDN$5.0 million) with Alnylam and CDN$5.0 million with an affiliate of Roche.

Since the completion of the business combination, we have focused on advancing our own collective RNAi therapeutic products and providing our lipid nanoparticle delivery technology to pharmaceutical partners. See Item 4.B. "Business Overview," below.

Reporting Issuer Status under Canadian Securities Laws

We are a reporting issuer in Canada under the securities laws of each of the Provinces of Canada.

Capital Expenditures and Divestitures

In 2008, 2009 and 2010 we invested $1.2 million, $1.7 million and $0.8 million in property and equipment. In 2008 we purchased laboratory and manufacturing equipment and we upgraded certain of our information technology systems. Our 2009 and 2010 capital investment relates largely to facility improvements and manufacturing equipment. In 2010 we completed upgrades to our in-house clean room facility. The ability to manufacture in-house gives us more flexibility and more control over our manufacturing process and timelines. We did not make any capital divestures in the last three fiscal years.

We are not currently planning any corporate investments, mergers, acquisitions or divestures.

Our current and planned investment in property, plant and equipment is described below.

Takeover Offers

We are not aware of any indication of any public takeover offers by third parties in respect of our common shares during our last and current financial years.

4B. Business Overview

Business Strategy

Our business strategy is to develop our own internal RNAi therapeutic product candidates and to support our pharmaceutical partners as they advance RNAi product candidates using our lipid nanoparticle delivery technology.

Technology, product development and licensing agreements

Our therapeutic product pipeline consists of product candidates being developed internally with our research and development resources. We also support the development of some of our partners' product candidates and are developing an Ebola antiviral (TKM-Ebola) under a Transformational Medical Technologies contract with the U.S. Department of Defense. Our focus is on advancing product candidates that utilize our proprietary lipid nanoparticle, or LNP, technology, for the delivery of RNAi drug products. We have previously referred to our LNP technology as SNALP for Stable Nucleic Acid Lipid Particles. These product candidates are intended to treat diseases through a process known as RNAi which prevents the production of proteins that are associated with various diseases.

Our most advanced internal product candidates are:

- TKM-PLK1, for the treatment of cancer;
- TKM-Ebola for the treatment of Ebola infection; and
- TKM-ApoB, for the treatment of high cholesterol.

In the field of RNAi therapeutic products, we have licensed our lipid nanoparticle delivery technology to Alnylam Pharmaceuticals Inc. (Alnylam) and Merck & Co., Inc. (Merck). Alnylam has granted non-exclusive access to some of our intellectual property to certain of its partners, including Roche, Regulus Therapeutics, Inc. (which is a joint venture between Alnylam and Isis Pharmaceuticals, Inc.) and Takeda Pharmaceutical Company Limited (Takeda). In addition, we have ongoing research relationships with Bristol-Myers Squibb Company (BMS) and the United States National Cancer Institute as well as other undisclosed pharmaceutical and biotechnology companies. Outside the RNAi field, we have legacy licensing agreements with Talon and Aradigm Corporation (Aradigm).

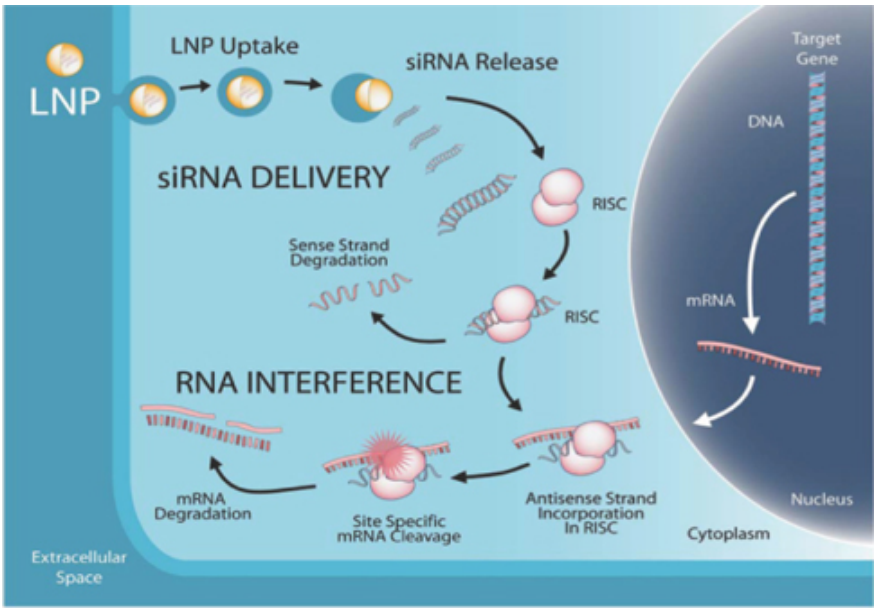
RNA Interference Therapeutics

RNAi is considered to be one of the most important discoveries in the field of biology in the last decade. The scientists who discovered the mechanism were awarded the 2006 Nobel Prize in Medicine for their discovery. RNAi is a naturally occurring process that takes place inside cells, and includes processes whereby small interfering RNA ("siRNA") molecules can profoundly suppress the production of specific proteins. Scientists first noted this powerful effect while attempting to improve the purple color of petunias. Intense research activity has now uncovered a complex molecular mechanism responsible for RNAi that is transforming the method by which drug targets are discovered and validated. Furthermore, synthetic siRNA molecules are being developed as drug candidates to specifically suppress the production of disease-related proteins through RNAi.

In the cell, DNA carries the genetic information to make a specific protein. Genes are first copied or transcribed into messenger RNA ("mRNA"), which, in turn, gets translated into protein. The molecular origin of nearly all diseases results from either the absence of or over-production of a specific protein. If too much of a particular protein is the cause of disease then the therapeutic approach is to try to reduce its activity or amount. For example, a tumor can be caused by the over-production of a protein that stimulates cell growth.

Sequencing of the human genome has provided information needed to design siRNA molecules directed against a wide range of disease-causing proteins. Based on the mRNA sequence for the target protein, siRNA molecules can be designed relatively quickly compared to the time needed to synthesize and screen conventional drugs. siRNA-based therapeutics are short segments of synthetic double stranded RNA made up of a sense strand and an antisense strand. The sequence of the siRNA is designed so that the antisense strand will bind specifically to a complementary sequence on the mRNA coding for the target protein. When siRNA are introduced into the cell cytoplasm they are rapidly incorporated into an RNA-induced silencing complex ("RISC"). As illustrated in the diagram below, during this process the sense strand is unwound and discarded but the antisense strand remains in the RISC and guides the RISC complex to interact specifically with mRNA coding for the target protein, which mRNA is then cut and destroyed, preventing the subsequent production of the target protein. Importantly, this process is catalytic and RISC associated siRNA can remain stable inside the cell for weeks, destroying many more copies of the target mRNA and maintaining target protein suppression for long periods of time.

Lipid Nanoparticle (LNP)-Enabled Delivery of siRNA and Mechanism of RNA Interference in Cells



RNAi has the potential to generate a broad new class of therapeutic drugs that take advantage of certain of the body's own natural processes to silence genes—or more specifically to eliminate specific gene-products, or proteins, from the cell. While there are no RNAi therapeutic products currently approved for commercial use, there are a number of RNAi therapeutic products in development and several in human clinical trials. RNAi therapeutic products have wide potential applicability as they can silence, or eliminate the production of disease causing proteins from cells, thus creating opportunities for therapeutic intervention that have not been achievable with conventional drugs. Development of RNAi therapeutic products is currently limited by the instability of the siRNA molecules in the bloodstream and the inability of these molecules to access target cells or organs, following intravenous, or systemic, administration, and their inability to gain entry into the cell cytoplasm, where they carry out their action. Delivery technology is necessary to protect these 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. Our LNP technology has been shown in preclinical studies to enable RNAi therapeutic products by overcoming these limitations, allowing efficient and selective 'silencing' or reduction of certain target proteins. We believe that we are strongly positioned to take advantage of the need for delivery technology that can efficiently encapsulate siRNA molecules and deliver them to sites of disease. We and our partners are advancing RNAi therapeutic product candidates using our LNP technology as the delivery vehicle to access target tissues and cells.

Tekmira's LNP Technology

Our LNP delivery technology allows siRNA to be encapsulated in a particle made of lipids or fats that can be administered intravenously and travel through the blood stream to target organs or sites of disease. The nanoparticles are designed to stay in the circulation for periods of time to allow the particle to efficiently accumulate at sites of disease such as the liver or cancerous tumors. As illustrated in the diagram above, once the nanoparticles have accumulated at the target or tissue site, the cells take up the particle by a process called endocytosis in which the cell's membrane surrounds the particle. This envelope or endosome pinches off from the cell's membrane and migrates to the inside of the cell. The lipid nanoparticles undergo an interaction with the endosomal membrane and in the process the siRNA are released inside the cell's cytoplasm. The released siRNA molecules disperse throughout the cell and engage the RISC complex in the cytoplasm, mediating RNAi.

Internal Product Development

Our most advanced RNAi product candidates are TKM-ApoB, TKM-PLK1 and TKM-Ebola. Alnylam has granted us a worldwide license to their core technology and intellectual property for the discovery, development and commercialization of RNAi products directed to eight RNAi gene targets—three exclusive and five non-exclusive licenses. Five of the targets, ApoB, PLK1, Ebola, WEE1 and CSN5, have already been selected on a non-exclusive basis, and we may select up to three additional targets in the future under the selection procedures described more fully below.

TKM-PLK1

Our lead oncology siRNA product candidate, TKM-PLK1, has been shown in preclinical animal studies to selectively kill cancer cells, while sparing normal cells in healthy tissue. TKM-PLK1 is targeted against PLK1 (polo-like kinase 1), a protein involved in tumor cell proliferation and a validated oncology target. Inhibition of PLK1 prevents the tumor cell from completing cell division, resulting in cell cycle arrest and death of the cancer cell.

Our preclinical studies have demonstrated that a single, systemic intravenous administration of TKM-PLK1 blocked PLK1 expression in liver tumors causing extensive tumor cell death. After repeat dosing, this result translated into significant inhibition of tumor growth and prolonged survival without evidence of toxicities often associated with oncology drugs. The TKM-PLK1 anti-tumor efficacy results were confirmed to be the result of silencing PLK1 via RNA interference. Furthermore, certain LNP formulations also provided potent anti-tumor efficacy in preclinical models of tumors outside the liver.

On June 2, 2011 we announced that we have secured non-exclusive licenses from Alnylam targeting two validated oncology targets: WEE1 and CSN5. We are conducting preclinical work to further evaluate these targets before initiating formal toxicology studies.

On December 22, 2010 we announced the initiation of patient dosing in a Phase 1 human clinical trial for TKM-PLK1. The Phase 1 clinical trial, conducted at three medical centers in the United States, is an open label, multi-dose, dose escalation study designed to evaluate the safety, tolerability and pharmacokinetics of TKM-PLK1 as well as determining the maximum tolerated dose. The trial will enroll up to 52 patients with advanced solid tumors. Secondary objectives of the trial are to measure tumor response as well as the pharmacodynamic effects of TKM-PLK1 in patients providing biopsies.

TKM-Ebola

On May 28, 2010 we announced the publication of a series of studies demonstrating the ability of an RNAi therapeutic utilizing our LNP technology to protect non-human primates from Ebola virus, a highly contagious and lethal human infectious disease.

We conducted the studies in collaboration with infectious disease researchers from Boston University and the United States Army Medical Research Institute for Infectious diseases (“USAMRIID”) and were funded in part by the U.S. Government’s Transformational Medical Technologies (TMT) program. The results, which were published in the medical journal, The Lancet, describe antiviral activity of siRNA in LNPs targeting the Ebola virus (TKM-Ebola). When used to treat infected non-human primates, TKM-Ebola resulted in complete protection from an otherwise lethal dose of Zaire Ebola virus. For many years, the Zaire species of Ebola virus (“ZEBOV”) has been associated with periodic outbreaks of hemorrhagic fever in human populations with mortality rates reaching 90%. There are currently no treatments for Ebola or other hemorrhagic fever viruses.

In the published studies, non-human primates were infected with a lethal dose of ZEBOV and were then treated with seven daily doses of TKM-Ebola. The TKM-Ebola therapeutic delivered three different siRNAs targeting three separate viral gene products thereby inactivating the virus in three different parts of its life cycle. The three siRNAs were encapsulated in our proprietary LNP delivery technology engineered for delivery to the cells where the Ebola virus is known to replicate. All of the non-human primates treated with TKM-Ebola survived the infection and were shown to be free of ZEBOV virus infection within 14 days after inoculation with a lethal dose of ZEBOV virus.

On July 14, 2010, we signed a contract with the United States Government to advance an RNAi therapeutic utilizing our LNP technology to treat Ebola virus infection. In the initial phase of the contract, which is expected to last approximately three years and is funded under the TMT program, we are eligible to receive up to US$34.7 million. This initial funding is for the development of TKM-Ebola including completion of preclinical development, filing an IND application with the FDA and completing a Phase 1 human safety clinical trial. We expect to file an IND for TKM-Ebola in the second half of 2011.

The United States Government 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 budget for the extended contract this would provide the Company with a total of up to US$140.0 million in funding for the entire program.

Under the contract we will invoice the United States Government for direct labor and third party costs plus an apportionment of overheads plus a profit margin.

TKM-Ebola will be developed under specific regulatory guidelines to advance therapeutics that cannot meet the requirements for traditional approval because human efficacy studies are not feasible. We believe this could significantly accelerate the approval of TKM-Ebola.

TKM-ApoB

On July 2, 2009 we announced that we had initiated a Phase 1 human clinical trial for TKM-ApoB (formerly known as ApoB SNALP). TKM-ApoB is being developed as a treatment for patients with high levels of low-density lipoprotein (LDL) cholesterol, or “bad” cholesterol, who are not well served by current therapy. TKM-ApoB is designed to reduce the production of apolipoprotein B 100 (ApoB), a protein produced in the liver that plays a central role in cholesterol metabolism.

Our therapeutic approach is to target ApoB, a protein synthesized in the liver that is essential to the assembly and secretion of very low density lipoprotein (VLDL), a precursor to LDL, both of which are required for the transport and

metabolism of cholesterol. TKM-ApoB consists of siRNA, designed to silence ApoB, encapsulated in a LNP formulation. TKM-ApoB is delivered into the liver hepatocytes, the cells which produce ApoB, where the siRNA acts to silence the messenger RNA coding for ApoB protein resulting in a decrease in circulating VLDL and LDL.

On January 7, 2010 we announced the completion of the Phase 1 TKM-ApoB clinical trial. We enrolled a total of 23 subjects in the trial. Of the 23 subjects enrolled, 17 subjects received a single dose of TKM-ApoB at one of seven different dosing levels and six subjects received a placebo.

The primary endpoints of the TKM-ApoB Phase 1 clinical trial were measures of safety and tolerability. TKM-ApoB was well tolerated overall in this study with no evidence of liver toxicity, which was the anticipated dose-limiting toxicity observed in preclinical studies. Of the two subjects treated at the highest dose level, one subject experienced an adverse event comprised of flu-like symptoms, cytokine release and transient hypotension consistent with stimulation of the immune system caused by the ApoB siRNA payload. The other subject treated at the highest dose level experienced no side effects. Based on the potential for the immune stimulation to interfere with further dose escalation, we decided to conclude the trial.

Based on a review of subsequent non-clinical data for TKM-ApoB, we have decided to delay the initiation of our next TKM-ApoB clinical trial. We had originally planned to initiate a Phase 1-2 clinical trial for TKM-ApoB by the end of 2010. In non-clinical studies, the performance characteristics of the specific lipid nanoparticle formulation being evaluated for use in the TKM-ApoB product candidate have not met our expectations for the intended application. We tailor LNP formulations for each intended application. We continue to make significant advances in LNP formulation development and there are several alternative LNP formulations with improved characteristics that are currently being evaluated for TKM-ApoB development.

Partnerships and Collaborations

Alnylam collaborations and licenses

On January 8, 2007, we entered into a licensing and collaboration agreement with Alnylam, which was amended and restated in May 2008, giving them an exclusive license to certain lipid nanoparticle intellectual property for the discovery, development, and commercialization of RNAi therapeutic products.

Protiva, which is now a wholly owned subsidiary of ours, and Alnylam entered into a cross-license in August 2007, which was amended and restated in May 2008, granting Alnylam non-exclusive access to Protiva's intellectual property in the RNAi field and required Alnylam to fund a certain level of collaborative research for two years. The research collaboration element of the Alnylam agreement expired in August 2009. We are, however, continuing to make LNP research batches for Alnylam under a manufacturing agreement which is discussed below.

In August 2007, pursuant to the terms of the cross-license, Alnylam made a payment of US$3.0 million that gives Alnylam the right to "opt-in" to our PLK1 project and share equally in any future product revenues, provided that Alnylam contributes 50% of the TKM-PLK1 product development costs. Alnylam has until the start of a TKM-PLK1 Phase 2 clinical trial to exercise their opt-in right. In the event that Alnylam chooses to exercise that right, the US$3.0 million already paid will be credited towards Alnylam's 50% share of project costs to date.

In addition, we are eligible to receive from Alnylam up to US$16.0 million in milestones for each RNAi therapeutic advanced by Alnylam or its partners that utilizes our intellectual property, and single-digit royalties on product sales.

The agreements with Alnylam grant us intellectual property rights to develop our own proprietary RNAi therapeutic products. Alnylam has granted us a worldwide license for the discovery, development and commercialization of RNAi products directed to eight gene targets—three exclusive and five 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 targets, ApoB, PLK1, Ebola, WEE1 and CSN5, have already been granted on a non-exclusive basis and we may select three additional gene targets to develop RNAi therapeutic products. In consideration for this license, we have agreed to pay single-digit royalties to Alnylam on product sales and have milestone obligations of up to US$8.5 million on each of the four non-exclusive licenses (with the exception of TKM-Ebola, which has no milestone obligations, and TKM-PLK1 if Alnylam opts–in to the development program). We will have no milestone obligation to Alnylam on the three exclusive licenses.

In April 2009, Alnylam announced that they had initiated a Phase 1 human clinical trial for a product candidate that utilizes our LNP technology. The Alnylam product candidate, ALN-VSP, is being developed as a treatment for liver cancer and cancers with liver involvement. ALN-VSP comprises siRNA molecules delivered systemically using our LNP technology. We are responsible for manufacturing the ALN-VSP drug product. The initiation of the ALN-VSP Phase 1 clinical trial triggered a milestone payment of CDN$0.6 million (US$0.5 million) which we received in May 2009. Interim ALN-VSP data were presented at the 2010 Annual Meeting of the American Society of Clinical Oncology (ASCO) in May 2010 and at the Chemotherapy Foundation Symposium in November 2010. Alnylam expects to report additional ALN-VSP clinical data in the second quarter of 2011.

Alnylam are advancing two ALN-TTR formulations, ALN-TTR01 and ALN-TTR02. Both formulations are RNAi therapeutics targeting transthyretin (TTR) for the treatment of TTR amyloidosis, a systemic disease caused by mutations in the TTR gene. ALN-TTR01 and ALN-TTR02 utilize our LNP technology and are being manufactured by us. On July 7, 2010, Alnylam announced the initiation of a Phase 1 human clinical trial for ALN-TTR01 which triggered a US$0.5 million milestone payment to us and Alnylam expects to report data from this trial in the third quarter of 2011.

Under a manufacturing agreement entered into in January 2009, we continue to be the exclusive manufacturer of any products that utilize our technology, as required by Alnylam through the end of Phase 2 clinical trials. Alnylam will pay for the provision of staff and for external costs incurred. Pursuant to the terms of this agreement, there is a contractual minimum of CDN$11.2 million payable by Alnylam for the three years from 2009 to 2011.

Alnylam has agreed that, without the approval of our board of directors, it will not acquire more than 10% of our outstanding shares calculated on a fully diluted basis or solicit proxies to vote our shares, nor assist any third party in doing so, at any time prior to January 8, 2012. Except in the case of “permitted investors” or a public offering of securities, Alnylam will be released from these restrictions if a third party makes a bona fide proposal or indicates an intention to acquire shares that exceed the 10% limit or solicit proxies to vote our shares and that proposal or intention is disclosed publicly (other than by Alnylam) or we engage in substantive discussions with such third party concerning the proposal or intention. A permitted investor for purposes of these provisions is defined as any investor, other than a pharmaceutical or biotechnology company, who holds less than 20% of our issued and outstanding voting securities (calculated on a fully diluted basis), so long as such investor does not seek to influence our management other than by voting the share the investor holds.

On March 16, 2011, we announced the filing of a complaint against Alnylam for misappropriation and misuse of trade secrets, know-how and other confidential information, unfair and deceptive trade practices, unjust enrichment, unfair competition and false advertising. The suit, filed in the Business Litigation Session of the Massachusetts Superior Court, alleges Alnylam exploited its confidential relationship with us as a collaborator to engage in inappropriate and harmful conduct concerning our proprietary LNP technology, resulting in damage to our intellectual property and business interests. On April 6, 2011, Alnylam filed an answer and counterclaim to our claim. On June 3, 2011 we filed an amended complaint against Alnylam. See “Item 8.A Legal Proceedings” section of this Annual Report for more information.

Roche product development and research agreements

On May 30, 2008, we signed an initial research agreement with Roche. This initial research agreement expired at the end of 2008 and was replaced by a research agreement (Roche Research Agreement) dated February 11, 2009. Work under the Roche Research Agreement was completed in the first half of 2009.

On May 11, 2009 we announced a product development agreement with Roche (Roche Product Development Agreement) that provides for product development up to the filing of an IND by Roche. The product development activities under this agreement expand the activities that were formerly covered by the Roche Research Agreement. Under the Roche Product Development Agreement Roche paid for the provision of our staff and for external costs incurred up to US$8.8 million, for us to support the advancement of a Roche RNAi product candidate using our LNP technology through to the filing of an IND application.

On November 17, 2010, Roche announced that, as part of a corporate restructuring, they intend to discontinue research and development in the field of RNAi. Following the announcement, Roche confirmed that, except for completing some product stability studies, they would be discontinuing product development with Tekmira.

Merck license agreement

Protiva, our wholly owned subsidiary, is party to a non-exclusive royalty-bearing world-wide license agreement with Merck. Under the license, Merck will pay up to US$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 US$15.0 million in milestones, and will pay single-digit royalties on product sales. Merck has also granted a license to us for some of its patents. The license agreement with Merck was entered into as part of the settlement of litigation between Protiva and a Merck subsidiary.

Bristol-Myers Squibb research agreement

On May 10, 2010 we announced the expansion of our research collaboration with Bristol-Myers Squibb. Under the new agreement, Bristol-Myers Squibb will use siRNA molecules formulated by us in lipid nanoparticles to silence target genes of interest. Bristol-Myers Squibb 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 products against the therapeutic targets of interest. Bristol-Myers Squibb paid us US$3.0 million concurrent with the signing of the agreement. We are required to provide a pre-determined number of lipid nanoparticle batches over the four-year agreement. Bristol-Myers Squibb will have a first right to negotiate a licensing agreement on certain RNAi products developed by us that evolve from Bristol-Myers Squibb validated gene targets. On May 17, 2011 we announced a further expansion of the collaboration to include broader applications of our LNP technology and additional target validation work.

USAMRIID research agreement

In 2005 we signed a five-year research agreement with the United States Army Medical Research Institute for Infectious Diseases ("USAMRIID") to collaborate on the development of siRNA-based therapy against filovirus infections, including Ebola, using LNPs. In 2010 we received the final payment under this grant. Further development of our TKM-Ebola product is being funded by the U.S. Government under the Transformational Medical Technologies ("TMT") program as discussed in "*TKM-Ebola*" section above.

Takeda research agreement

We have a research agreement with Takeda entered into in December 2008. In the first quarter of 2010, we expanded our agreement with Takeda to provide additional LNP batches as Takeda continues to evaluate our technology.

Takeda has, through Alnylam, a non-exclusive sublicense to some of our intellectual property. Under our agreements with Alnylam we are eligible to receive up to US$16.0 million in milestones plus single-digit royalties on each Takeda product that uses our technology.

Legacy Agreements

Talon Therapeutics, Inc. (Talon, formerly Hana Biosciences, Inc.) license agreement

Talon is developing targeted chemotherapy products under a legacy license agreement entered into in May 2006. Marqibo (Optisomal Vincristine), Alocrest (formerly INX-0125, Optisomal Vinorelbine) and Brakiva (formerly INX-0076, Optisomal Topotecan), products originally developed by us, have been exclusively licensed to Talon. Talon has agreed to pay us milestones and single-digit royalties and is responsible for all future development and future expenses. In May 2009, the license agreement with Talon was amended to decrease the size of near-term milestone payments and increase the size of long-term milestone payments. On September 20, 2010, the license agreement with Talon was amended a second time such that Talon paid $5.9 million (US$5.75 million) in consideration for reducing certain future payments associated with the product candidates. The payment of $5.9 million (US$5.75 million) from Talon has been paid to our contingent creditors in full settlement of a contingent obligation. See "Other Corporate Developments – Purchase and settlement of the exchangeable and development notes (the Notes)". We are now eligible to receive milestone payments from Talon of up to US$19.0 million upon achievement of further development and regulatory milestones and we are also eligible to receive single-digit royalties on product sales. The milestone payments can be made in common shares of Talon. If Talon sublicenses any of the product candidates, Tekmira is eligible to receive a percentage of any upfront fees or milestone payments received by Talon. Depending on the royalty rates Talon receives from its sublicensees, our royalty rate may be lower on product sales by the sublicensees. The royalty rate will be reduced to low single digits if there is generic competition.

Marqibo is a proprietary sphingosomal formulation of the widely used, off-patent cancer chemotherapeutic vincristine. The FDA has granted Talon orphan drug and fast track designations for the use of Marqibo in adult acute lymphoblastic leukemia, or ALL. In August 2007, Talon initiated a Phase 2 Marqibo registration-enabling clinical trial in relapsed ALL and in November 2007 initiated a Phase 2 clinical trial investigating Marqibo as a treatment for uveal melanoma. In December 2009, Talon announced the results of its Phase 2 relapsed ALL clinical trial. Talon intends to submit a New Drug Application for Marqibo in 2011. Talon has announced that it is planning to commence Phase 3 randomized trials for Marqibo in elderly patients with ALL and patients with non-Hodgkin's lymphoma.

Alocrest is an extended delivery formulation of the commercially available anticancer drug vinorelbine. Vinorelbine is an approved chemotherapeutic drug that is off-patent in the United States. Talon initiated a Phase 1 clinical trial for Alocrest in August 2006 and released preliminary data in October 2007. Talon is currently seeking a partner to continue the advancement of Alocrest through clinical trials.

Brakiva is a lipid encapsulated formulation of the approved anti-cancer and off-patent drug topotecan. Talon initiated a Phase 1 clinical trial for Brakiva in November 2008 in patients with advanced solid tumors.

Aradigm Corporation license agreement

In December 2004, we entered into a licensing agreement with Aradigm under which Aradigm exclusively licensed certain of our liposomal intellectual property for the pulmonary delivery of Ciprofloxacin. As amended, this agreement calls for milestone payments totalling US$4.5 and US$4.75 million, respectively, for the first two disease indications pursued by Aradigm using our technology, and for single-digit royalties on sales revenue from products using our technology. Aradigm has asserted that it is not using our technology in its current products.

University of British Columbia

Certain early work on lipid nanoparticle delivery systems and related inventions was done at the University of British Columbia ("UBC"). These inventions are exclusively licensed to us by UBC under a license agreement, initially entered in 1998 and thereafter restated and amended. This agreement calls for revenue sharing on payments received from sublicenses that range from 10% for intellectual property related to certain technology used for the delivery of oligonucleotides and up to

approximately 20% for intellectual property covering certain legacy product candidates being advanced by Talon and Aradigm. The agreement calls for single-digit royalties on product sales made by us under the licensed patents. The patents licensed to us by UBC under this license agreement have been expanded over the years to include patents, if any, on additional inventions discovered by UBC and us in our prior collaborations with UBC or otherwise in the course of our prior collaboration with Alnylam. These collaborations with UBC and with Alnylam ended at the end of 2008. We have granted sublicenses under the UBC license both to our subsidiary Protiva, and to Alnylam as well as to Talon and Aradigm. While Alnylam's sublicense is exclusive in the RNAi field, Alnylam has in turn sublicensed us and our subsidiary Protiva under the licensed UBC patents for discovery, development and commercialization of RNAi products directed to the same gene targets described above in our description of our Alnylam collaborations and licenses.

In mid-2009, we and our subsidiary Protiva entered into a supplemental agreement with UBC, Alnylam and AlCana Technologies, Inc., in relation to a separate research collaboration to be conducted among UBC, Alnylam and AlCana. We are licensed under the supplemental agreement to inventions discovered in this on-going collaboration. This license is on terms essentially similar to those of our license from UBC described above, and has similarly been sublicensed by us to Alnylam, and similarly sublicensed to us and Protiva by Alnylam for the same gene targets, except that we are to pay milestones of up to US$1,325,000 and low single-digit royalties directly to UBC if we use any AlCana intellectual property generated under this supplemental agreement.

Patents and Proprietary Rights

In addition to the expertise we have developed and maintain in confidence, we own a portfolio of patents and patent applications directed to LNP inventions, the formulation and manufacture of LNP-based pharmaceuticals, chemical modification of RNAi molecules, and RNAi drugs and processes directed at particular disease indications.

Patent applications that we have filed with the United States Patent and Trademark Office have not, to date, been the subject of interferences, with the exception of one recent interference with an Alnylam patent. We have filed many patent applications with the European Patent Office that have been granted. In Europe, upon grant, a period of nine months is allowed for notification of opposition to such granted patents. If our patents are subjected to interference or opposition proceedings, we would incur significant costs to defend them. Further, our failure to prevail in any such proceedings could limit the patent protection available to our RNAi platform, including TKM-ApoB, TKM-PLK1 and TKM-Ebola.

On March 16, 2011, we announced that we have filed a lawsuit against Alnylam for various actions that we contest have damaged our intellectual property – see "Item 8.A Legal Proceedings".

Our portfolio includes over 120 active cases, with 55 - issued/granted patents and allowed patent applications, including the following:

Invention Category	Title	Priority Filing Date*	Status**	Expiration Date***
LNP	Lipid Encapsulated Interfering RNA	07/16/2003	Granted in New Zealand (NZ), Singapore (SG); allowed in Australia (AU); pending in Canada (CA), China (CN), Europe (EP), Hong Kong (HK), Israel (IL), India (IN), Japan (JP), South Korea (KR), United States (US)	07/16/2024
LNP	Lipid Encapsulated Interfering RNA	06/07/2004	US Pat. No. 7,799,565; Granted in CN; pending in AU, CA, EP, HK, JP	06/07/2025
LNP	Novel Lipid Formulations for Nucleic Acid Delivery	04/15/2008	Pending in AU, CA, CN, EP, IL, IN, JP, NZ, SG, US	04/15/2029
LNP	Novel Lipid Formulations for Delivery of Therapeutic Agents to Solid Tumors	07/01/2009	Pending in US and Patent Cooperation Treaty (PCT) member states	06/30/2030
LNP Manufacturing	Liposomal Apparatus and Manufacturing Methods	06/28/2002	US Pat. No. 7,901,708; Granted in AU, EP; pending in CA, JP	06/28/2023
LNP Manufacturing	Systems and Methods for Manufacturing Liposomes	07/27/2005	Pending in AU, CA, CN, EP, JP, US	07/27/2026
Novel Lipids	Cationic Lipids and Methods of Use	06/07/2004	US Pat. No. 7,745,651; pending in AU, CA, CN, EP, HK, JP	06/07/2025
Novel Lipids	Polyethyleneglycol-Modified Lipid Compounds and Uses Thereof	09/15/2003	US Pat. No. 7,803,397; Granted in SG; allowed in NZ; pending in AU, CA, CN, EP, IL, IN, JP, KR	09/15/2024

Invention Category	Title	Priority Filing Date*	Status**	Expiration Date***
Novel Lipids	Improved Cationic Lipids and Methods for the Delivery of Therapeutic Agents	07/01/2009	Pending in PCT member states	06/30/2030
Chemical Modifications	Modified siRNA Molecules and Uses Thereof	11/02/2005	Pending in AU, CA, CN, EP, HK, IL, IN, JP, US	11/02/2026
Chemical Modifications	Modified siRNA Molecules and Uses Thereof	06/09/2006	US Pat. No. 7,915,399	06/08/2027
Therapeutic Target	siRNA Silencing of Apolipoprotein B	11/17/2004	Pending in AU, CA, EP, HK, US	11/17/2025
Therapeutic Target	Compositions and Methods for Silencing Apolipoprotein B	07/01/2009	Pending in US and PCT member states	06/30/2030
Therapeutic Target	siRNA Silencing of Filovirus Gene Expression	10/20/2005	US Pat. No. 7,838,658	10/20/2026
Therapeutic Target	Compositions and Methods for Silencing Ebola Virus Gene Expression	07/20/2009	Pending in US and PCT member states	07/20/2030
Therapeutic Target	Silencing of Polo-Like Kinase Expression using Interfering RNA	12/27/2007	Pending in AU, CA, EP, JP, US	12/27/2028

* Priority filing dates are based on the filing dates of provisional patent applications. Provisional applications expire unless they are converted to non-provisional applications within one year.

** An “allowed” patent application is an active case that has been found by the patent office to contain patentable subject matter, subject to the payment of issue/grant fees by the applicant.

*** Once issued, the term of a US patent first filed after mid-1995 generally extends until the 20th anniversary of the filing date of the first non-provisional application to which such patent claims priority. It is important to note, however, that the United States Patent & Trademark Office, or USPTO, sometimes requires the filing of a Terminal Disclaimer during prosecution, which may shorten the term of the patent. On the other hand, certain patent term adjustments may be available based on USPTO delays during prosecution. Similarly, in the pharmaceutical area, certain patent term extensions may be available based on the history of the drug in clinical trials. We cannot predict whether or not any such adjustments or extensions will be available or the length of any such adjustments or extensions.

4C. Organizational structure

We have two wholly owned subsidiaries, Protiva Biotherapeutics Inc., which is incorporated under the laws of British Columbia and is directly held by us, and Protiva Biotherapeutics (USA) Inc., which is incorporated in the State of Delaware and is a direct subsidiary of Protiva Biotherapeutics Inc.

4D. Property, plant and equipment

Facilities

Our head office and primary research and development facility is located in Burnaby, British Columbia. The lease for this approximately 51,000 square foot facility expires in July 2014, but can be further extended to 2017 and then to 2022 and then to 2027.

ITEM 4A UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following should be read in conjunction with our financial statements, forming a part of this Annual Report and Item 4 “Information on the Company” of this Annual Report. The financial statements for 2010 and 2009 have been prepared in accordance with in accordance with generally accepted accounting principles in the United States of America except as otherwise stated. The information presented below is in Canadian dollars unless otherwise stated. Our financial statement notes include reconciliations of material measurement differences between U.S. GAAP and Canadian GAAP.

Overview

Tekmira is a biopharmaceutical company focused on advancing novel RNA interference therapeutics and providing its leading lipid nanoparticle delivery technology to pharmaceutical partners.

Reorganization and Acquisition

Tekmira Pharmaceuticals Corporation was incorporated on October 6, 2005 as an inactive wholly owned subsidiary of Inex Pharmaceuticals Corporation ("Inex"). Pursuant to a reorganization 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.

On May 30, 2008, we completed the acquisition of all of the outstanding shares of Protiva. At the time of the acquisition, Protiva was a privately owned Canadian company developing lipid nanoparticle delivery technology for small interfering RNA, or siRNA, a business similar to that of Tekmira. The acquisition of Protiva permitted us to combined our assets and focus them on the develop RNAi therapeutic products using our lipid nanoparticle delivery technology which we refer to as LNP or lipid nanoparticles. The business combination was completed through the acquisition by Tekmira, under a share purchase agreement, of all the outstanding shares of Protiva in consideration for common shares of Tekmira. Tekmira also agreed to issue common shares on the exercise of any Protiva share purchase options that remained outstanding at the closing.

Concurrent with the completion of the business combination with Protiva, we entered into initial research agreements with F. Hoffman-La Roche Ltd and Hoffman La-Roche Inc., which we refer to together as Roche, and completed private placement investments of 416,667 common shares for US$5.0 million (CDN$5.0 million, CDN$12.00 per share) with Alnylam Pharmaceuticals, Inc., or Alnylam, and 416,667 common shares for CDN$5.0 million (CDN$12.00 per share) with a Roche affiliate.

The Protiva acquisition was accounted for using the purchase method of accounting.

Inflation

Inflation has not had a material impact on our operations.

Foreign Currency Fluctuations

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 using cash received from U.S. dollar revenues to pay U.S. dollar expenses. We have not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. Towards the end of 2008 we converted the majority of our U.S. dollar cash and cash equivalent holdings into Canadian dollars which reduced our exposure to foreign exchange rate fluctuations. Thereafter our policy has been to hold only working capital levels of U.S. dollars. However, as a large portion of our revenues and expenses are in U.S. dollars, exchange rate fluctuations will continue to create gains or losses as we continue holding U.S. denominated cash, cash investments, accounts receivable and accounts payable.

Foreign exchange losses were $0.01 million in 2010 as compared to $0.44 million in 2009 and gains of $2.1 million in 2008. Our foreign exchange gains and losses relate almost entirely to changes in the US dollar to Canadian dollar exchange rate. The foreign exchange gains in 2008 relate largely to the positive effect on our US denominated cash investments and accounts receivable from the strengthening of the US dollar as compared to the Canadian dollar. Towards the end of 2008 we converted the majority of our US dollar cash and cash equivalent holdings into Canadian dollars which reduced our exposure to foreign exchange rate fluctuations in 2009. We have some US dollar denominated cash and receivables which provide a natural exchange rate hedge against our US dollar denominated payables and we now keep our US dollar cash and investment balances to a working capital level to avoid exchange rate risk.

Government Regulation

We operate within a highly regulated environment. Regional and country specific laws and regulations define the data required to show safety and efficacy of product candidates such as ours, as well as govern testing, approval, manufacturing, labeling and marketing of these products. These regulatory requirements are a major factor in determining whether a product may be successfully developed and the amount of time and expense associated with this development. For a biopharmaceutical company to launch a new product, it must demonstrate to the national regulatory authorities in the countries in which it intends to market the new product, such as the Food and Drug Administration, or FDA, in the United States and the Therapeutic Products Directorate of Health Canada, or TPD, in Canada that the product is both effective and safe. The system of new drug approvals in North America is one of the most rigorous in the world.

A potential new product must first be tested in the laboratory, referred to as in vitro studies, and in several animal species, referred to as pre-clinical, before being evaluated in humans, referred to as clinical studies. Pre-clinical studies primarily involve in vitro evaluations of the therapeutic activity of the product and pre-clinical evaluations of the pharmacokinetic, metabolic and toxic effects of the product in selected animal species. Ultimately, based on data generated

during pre-clinical studies, extrapolations will be made to evaluate the potential risks versus the potential benefits of use of the product in humans under specific conditions of use. Upon successful completion of the pre-clinical studies, the product typically undergoes a series of evaluations in humans, including healthy volunteers and patients with the targeted disease.

Before undertaking clinical studies, the pharmaceutical company sponsoring the new product must submit to the FDA, TPD, or other applicable regulatory body, an Investigational New Drug (IND) submission. The IND application must contain specified information including the results of the pre-clinical or clinical tests completed at the time of the application. Since the method of manufacture may affect the efficacy and safety of a product, information on manufacturing methods and standards and the stability of the product substance and dosage form must also be presented.

The activities which are typically completed prior to obtaining approval for marketing in North America may be summarized as follows:

- pre-clinical studies, which includes pharmacological and efficacy testing in animals, toxicology testing and formulation work based on in vitro results, performed to assess the safety and potential efficacy of the product, and subject to good laboratory practice requirements;
- Phase 1 clinical trials, the initial introduction of the product into human subjects, under which the compound is generally tested for safety, dosage, tolerance, metabolic interaction, distribution, excretion and pharmacokinetics;
- Phase 2 clinical trials involving studies in a limited patient population to: determine the efficacy of the product for specific, targeted indications, determine optimal dosage, and identify possible adverse effects and safety risks; and
- Phase 3 clinical trials which are undertaken to further evaluate clinical efficacy of the product and to further test for its safety within an expanded patient population at geographically dispersed clinical study sites in order to support marketing authorization.

Following Phase 3, the product sponsor submits a New Drug Application to the FDA or a New Drug Submission to the TPD for marketing approval. Once the data is reviewed and approved by the appropriate regulatory authorities such as TPD and FDA, the product may be sold on a commercial basis.

The approval process for new drugs in Europe is comparable to the approval process of the FDA.

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 and stock-based compensation. 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. Areas where critical accounting estimates are made include revenue recognition and amounts recorded as stock-based compensation. Our critical accounting estimates affect our net 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. 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 revenue for 2010 was $21.4 million (2009 - $14.4 million; 2008 - $11.7 million) and deferred revenue at December 31, 2010 was $4.1 million (December 31, 2009 - $1.2 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 compensation expense in 2010 of $0.7 million (2009 - $0.3 million; 2008 - $1.8 million).

Changes in Accounting Policies and Adoption of New Standards

Differences between United States of America and Canadian GAAP

Historically we prepared our consolidated financial statements in conformity with Canadian generally accepted accounting principles (GAAP) and for fiscal 2010 interim periods we provided a supplemental reconciliation to United States (U.S.) GAAP. The Canadian Securities Administrators’ National Instrument 52-107, Acceptable Accounting Principles, Auditing Standards and Reporting Currency, permits Canadian public companies who are also U.S. Securities and Exchange Commission (SEC) registrants the option of preparing their financial statements under U.S. GAAP. Based on a number of our peers and collaborators reporting under U.S. GAAP we concluded that U.S. GAAP is more relevant to the users of our financial statements than Canadian GAAP. Therefore, effective December 31, 2010, we adopted U.S. GAAP as the reporting standard for our consolidated financial statements. All comparative financial information contained in our December 31, 2010 consolidated financial statements and in this Annual Report has been recast to reflect our results as if we had historically reported in accordance with U.S. GAAP. These policies are consistent with Canadian GAAP in all material respects for Tekmira except, under Canadian GAAP, the in-process research and development acquired from Protiva on May 30, 2008 would be recorded on our Balance Sheet as intangible assets and would be amortized over its estimated useful life of 16 years. Under U.S. GAAP, the in-process research and development acquired from Protiva was expensed at the time of acquisition as it has no alternative future use. The impact of this difference for years ended and as at December 31, 2008, 2009 and 2010 is described in note 14 to the consolidated financial statements. The impact of this difference on our 2010 and 2009 quarterly results is as follows:

(in millions Cdn$ except per share data) - unaudited

	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Net loss, U.S. GAAP	$ (4.2)	$ (4.0)	$ (2.4)	$ (1.9)
Adjustment for in–process research and development	(0.3)	(0.3)	(0.3)	(0.3)
Net loss, Canadian GAAP	(4.4)	(4.2)	(2.7)	(2.1)
Basic and diluted loss per common share, Canadian GAAP	$(0.43)	$(0.41)	$(0.26)	$(0.20)

	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Net loss, U.S. GAAP	$ (1.8)	$ (2.0)	$ (2.6)	$ (2.4)
Adjustment for in–process research and development	(0.3)	(0.3)	(0.3)	(0.3)
Net loss, Canadian GAAP	(2.1)	(2.3)	(2.8)	(2.6)
Basic and diluted loss per common share, Canadian GAAP	$(0.20)	$(0.22)	$(0.27)	$(0.25)

Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board (FASB) issued EITF 08-01, Revenue Arrangements with Multiple Deliverables (currently within the scope of FASB Accounting Standards Codification (ASC) Subtopic 605-25). This statement provides principles for allocation of consideration among its multiple-elements, allowing more flexibility in identifying and accounting for separate deliverables under an arrangement. The EITF introduces an estimated selling price method for valuing the elements of a bundled arrangement if vendor-specific objective evidence or third-party evidence of selling price is not available, and significantly expands related disclosure requirements. This standard is effective on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Alternatively, adoption may be on a retrospective basis, and early application is permitted. We adopted this pronouncement in the three month period ending March 31, 2011. Adoption of the pronouncement did not have a material impact on our financial statements.

In March 2010, the FASB ratified the EITF final consensus on Issue ASC 2010-17, Milestone Method of Revenue Recognition. The guidance in this consensus allows the milestone method as an acceptable revenue recognition methodology when an arrangement includes substantive milestones. The guidance provides a definition of a substantive milestone and should be applied regardless of whether the arrangement includes single or multiple deliverables or units of accounting. The scope of this consensus is limited to transactions involving milestones relating to research and development deliverables. The guidance includes enhanced disclosure requirements about each arrangement, individual milestones and related contingent consideration, information about substantive milestones and factors considered in the determination. The consensus is effective prospectively to milestones achieved in fiscal years, and interim periods within those years, after June 15, 2010. Early application and retrospective application are permitted. We adopted this pronouncement in the three month period ending March 31, 2011. Adoption of the pronouncement did not have a material impact on our financial statements.

In July 2010, the FASB issued ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which amends ASC 310 by requiring more robust and disaggregated disclosures about the credit quality of an entity's financing receivables and its allowance for credit losses. The enhanced disclosure will provide financial statement users with an improved understanding of (1) the nature of an entity's credit risk associated with its financing receivables and (2) the entity's assessment of that risk in estimating its allowance for credit losses as well as changes in the allowance and the reasons for those changes. This standard is effective on a prospective basis for the first interim or annual period beginning after December 15, 2010. We adopted this standard in the three month period ending March 31, 2011. Adoption of the standard did not have a material impact on disclosures in our financial statements.

5A. Operating Results

Year ended December 31, 2010 compared to the year ended December 31, 2009

For the fiscal year ended December 31, 2010, our net loss was $12.4 million ($1.20 per common share) as compared to a net loss of $8.7 million ($0.85 per common share) for 2009.

The primary reason for the increase in net losses is increased research, development, collaborations and contracts spending across our internal and partnered programs. Also, in 2010, we have incurred professional and listing fees for our NASDAQ listing.

Revenue / Revenue was $21.4 million in 2010 as compared to $14.4 million in 2009. In Q3 2010 we received a $5.9 million license fee amendment payment from Talon which was subsequently paid on to contingent creditors and is further explained in Off-Balance Sheet Arrangements below. Revenue streams from our ongoing collaborations and contracts changed significantly in 2010 as discussed below.

Revenue is detailed in the following table:

(in millions Cdn$)	**2010**	2009
Collaborations and contracts		
Alnylam	**$ 6.3**	$ 8.8
U.S. Government	**3.6**	—
Roche	**4.5**	4.8
BMS	**0.2**	0.2
Other RNAi collaborators	**0.4**	—
Total collaborations and contracts	**14.9**	13.8
Alnylam milestone payments	**0.5**	0.6
Talon license amendment payment	**5.9**	—
Total revenue	**$21.4**	$14.4

Alnylam revenue / Under an agreement with Alnylam they were required to make collaborative research payments at a minimum rate of US$2.0 million per annum for the provision of our research staff. This agreement expired on August 13, 2009 and we no longer receive research funding from Alnylam. We are, however, continuing to make LNP research and clinical trial batches for Alnylam under the Alnylam Manufacturing Agreement.

Under the Alnylam Manufacturing Agreement we are the exclusive manufacturer of any products required by Alnylam that utilize our technology through to the end of Phase 2 clinical trials. Under the Alnylam Manufacturing Agreement there is a contractual minimum payment for the provision of staff in each of the three years from 2009 to 2011 and Alnylam is reimbursing us for any external costs incurred. Revenue from external costs related to the Alnylam Manufacturing Agreement is being recorded in the period that Alnylam is invoiced for those costs except where we bear the risk of batch failure in which case revenue is recognized only once Alnylam accepts the batch. The total payment for the provision of staff from 2009 to 2011 is a minimum of $11.2 million.

In Q2 2009 and in Q3 2010 we received US$0.5 million (Q2 2009 - $0.5 million; Q3 2010 - $0.6 million) milestone payments from Alnylam following their initiation of Phase 1 human clinical trials for two separate products enabled by our LNP delivery technology.

U.S. Government revenue / On July 14, 2010, we signed a contract with the United States Government 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, is budgeted at US$34.7 million and is expected to last approximately three years. This initial funding is for the development of TKM-Ebola including completion of preclinical development, filing an IND application with the FDA and completing a Phase 1 human safety clinical trial.

Under the contract we are being reimbursed for costs incurred, including an allocation of overheads, and we are being paid an incentive fee. The cost of equipment purchased for the contract, and revenue from the reimbursement of that cost, is initially recorded as deferred costs and revenue and is then amortized to the income statement over the expected contract period.

Roche revenue / Under the Roche Product Development Agreement dated May 2009 Roche are paying us for the provision of staff and for certain external costs incurred. We are recognizing revenue from the Roche Product Development Agreement in proportion to the services provided up to the reporting date by comparing actual hours spent to estimated total project hours. Revenue from external costs incurred under the Roche Product Development Agreement is recorded in the period that Roche is invoiced for those costs. The difference between service revenue recognized and cash received is being recorded in the balance sheet as accrued or deferred revenue, as appropriate. In November 2010, Roche announced that, as part of a corporate restructuring, they intend to discontinue research and development in the field of RNAi. Following the announcement, Roche confirmed that, except for completing some product stability studies, they would be discontinuing product development with Tekmira. As at December 31, 2010, we have retained a deferred revenue balance of $0.04 million to cover a small amount of stability study work to be completed for Roche. The balance of Roche deferred revenue was brought into income in 2010.

We earned $0.8 million in collaborations revenue during the first half of 2009 for work under a separate Roche Research Agreement that ended in June 2009.

BMS revenue / BMS revenue in 2009 and 2010 relates to a research collaboration agreement. In May 2010 we signed a formulation agreement with BMS under which BMS paid us $3.2 million (US$3.0 million) to make a certain number of LNP formulations over the next four years. Revenue from this agreement will be recognized as batches are produced. No batches have yet been produced under the new BMS agreement so deferred revenue as at December 31, 2010 includes $3.2 million in this respect.

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

Talon license amendment payment / On September 20, 2010, the license agreement with Talon was amended such that Talon paid $5.9 million (US$5.75 million) in consideration for reducing certain future payments associated with the product candidates. The payment of $5.9 million from Talon has been paid on to contingent creditors in full settlement of a contingent obligation - see “Off-Balance Sheet Arrangements.” We are now eligible to receive milestone payments from Talon of up to US$19.0 million upon achievement of further development and regulatory milestones and we are also eligible to receive single-digit royalties on product sales. If Talon sublicenses any of the product candidates, Tekmira is eligible to receive a percentage of any upfront fees or milestone payments received by Talon.

Expenses / Research, development, collaborations and contracts / Research, development, collaborations and contracts expenses increased to $22.1 million in 2010 as compared to $17.8 million in 2009.

In Q3 2010 we signed a contract with the U.S. Government to develop TKM-Ebola and incurred significant program costs such as materials and preclinical studies that have been included in research, development, collaborations and contracts expenses. These costs are being reimbursed by the U.S. Government who is also paying for TKM-Ebola related labour costs and overheads and an incentive fee.

In 2010 we also incurred more reimbursable costs on our Alnylam collaboration as compared to 2009. Overall costs incurred on our TKM-PLK1, TKM-ApoB and other research and formulation development are at similar levels in 2009 and 2010.

Research, development, collaborations and contracts compensation expenses increased in 2010 as compared to 2009. This was due to increasing staff numbers and an increase in stock option expense in 2010. Our research and development staff numbers have increased to 82 at December 31, 2010 (total staff 92) as compared to 64 (total staff 78) at December 31, 2009. Ordinarily, we issue an annual grant of stock options to all staff and directors at the end of our fiscal year but due to a stock trading black-out our annual grant was delayed until Q1 2010. Our 2010 annual grant of stock options occurred as planned in December 2010. Typically, a portion of our stock options vest immediately so there is a peak in stock option expense in the period when options are granted.

General and administrative / General and administrative expenses increased to $4.8 million in 2010 from $4.2 million in 2009. The increase in 2010 generally relates to professional and listing fees for our NASDAQ share listing.

Depreciation of property and equipment / Depreciation of property and equipment was steady at $1.0 million in 2010 and $1.0 million in 2009.

Loss on purchase and settlement of exchangeable and development notes / The $5.9 million license amendment payment and related $5.9 million loss on the purchase and settlement of exchangeable and development notes is discussed in the Overview and Off-balance sheet arrangements sections of this MD&A.

Other income (losses) / Interest income / Interest income was $0.1 million in 2010 and $0.2 million in 2009. The decrease is due to lower cash investment balances in 2010 as compared to 2009. In the future, interest income will continue to fluctuate in relation to cash balances and interest yields.

Other income (losses) / Foreign exchange gains (losses) / Foreign exchange losses were $0.01 million in 2010 as compared to $0.44 million in 2009. Our foreign exchange gains and losses relate almost entirely to changes in the US dollar to Canadian dollar exchange rate. The US dollar to Canadian dollar exchange saw greater fluctuations in 2009 than in 2010. We have some US dollar denominated cash and receivables which provide a natural exchange rate hedge against our US dollar denominated payables and we keep our US dollar cash and investment balances to a working capital level to avoid exchange rate risk.

Year ended December 31, 2009 compared to the year ended December 31, 2008

For the fiscal year ended December 31, 2009, our net loss was $8.7 million ($0.85 per common share, basic and fully diluted) as compared to a net loss of $29.9 million ($3.69 per common share, basic and fully diluted) for 2008.

There are a number of factors contributing to changes in our results in 2009 as compared to 2008 the largest of which was the expensing of in-process research and development acquired through the business combination with Protiva.

Revenue / Revenue was $14.4 million in 2009 as compared to $11.7 million in 2008. Looking at collaborations and contracts revenue, the expiration of our research collaboration with Alnylam in August 2009 has been offset by expansion of manufacturing services provided to Alnylam and the expansion of our collaboration with Roche. Licensing fees and milestone payments revenue is lower in 2009 as compared to 2008 as up-front payments from Alnylam were fully amortized into revenue by the end of 2008 and the only 2009 receipt was an Alnylam milestone payment of $0.6 million.

Revenue is detailed in the following table:

(in millions Cdn$)	**2009**	2008
Collaborations and contracts		
Alnylam	**$ 8.8**	$ 6.1
Roche	**4.8**	0.1
Other RNAi collaborators	**0.2**	0.3
Talon	**—**	0.1
Total collaborations and contracts	**13.8**	6.6
Licensing fees and milestone payments from Alnylam	**0.6**	5.1
Total revenue	**$14.4**	$11.7

Alnylam revenue / Under an agreement with Alnylam they were required to make collaborative research payments at a minimum rate of US$2.0 million per annum for the provision of our research staff. This agreement expired on August 13, 2009 and we no longer receive research funding from Alnylam. We are, however, continuing to make LNP research and clinical trial batches for Alnylam under the Alnylam Manufacturing Agreement.

On April 3, 2009 Alnylam announced that they had initiated a Phase 1 human clinical trial for ALN-VSP, a product candidate that utilizes our LNP technology. The initiation of the ALN-VSP Phase 1 clinical trial triggered a milestone payment of $0.6 million (US$0.5 million) that we received and recorded as revenue in 2009.

Roche revenue / Under the Roche Product Development Agreement dated May 2009 they are paying us for the provision of staff and for certain external costs incurred. We are recognizing revenue from the Roche Product Development Agreement in proportion to the services provided up to the reporting date by comparing actual hours spent to estimated total project hours. Revenue from external costs incurred under the Roche Product Development Agreement is recorded in the period that Roche is invoiced for those costs. The difference between service revenue recognized and cash received is being recorded in the balance sheet as accrued or deferred revenue, as appropriate.

We earned $0.9 million (US$0.8 million) in research and development collaborations revenue during the first half of 2009 for work completed under a separate Roche Research Agreement.

Other RNAi collaborators / We have research agreements with a number of other RNAi collaborators including Bristol-Myers Squibb and Takeda.

Expenses / Research, development, collaborations and contracts / Research and development expenses increased to $17.8 million in 2009 as compared to $16.1 million in 2008 due, in part, to the following factors:

- As a result of the business combination with Protiva completed on May 30, 2008, the level and cost of our research and development activities generally increased.
- With the business combination our intellectual property portfolio and related expenses expanded.
- Spending on our TKM-ApoB program was significantly higher in 2008 as compared to 2009. In 2008 we took TKM-ApoB through preclinical toxicology studies and the manufacture of drug product for human clinical trials. In 2009 our TKM-ApoB program moved into Phase 1 of clinical trials.
- In 2009 TKM-PLK1 spending increased significantly over 2008 as we commenced preclinical toxicology studies and the manufacture of human clinical trial drug product.
- Costs marked up and passed through to our collaborators were higher in 2009 as we supported a number of Alnylam products that utilize our LNP technology and in May 2009 our collaboration with Roche expanded into product development.
- Research and development wage expenses increased significantly following the business combination on May 30, 2008 and continued to be higher in 2009 as staffing levels were maintained to support our two lead internal programs and two major collaborative partners, Alnylam and Roche. However, research and development total compensation expenses in 2008 were unusually high as stock based compensation was $0.3 million in 2009 as compared to $1.8 million in 2008. In 2008 our Board approved the accelerated vesting of all Tekmira stock options concurrent with the announcement of the business combination with Protiva.

Our research, development and collaboration expenses and laboratory equipment costs are reported net of funding from USAMRIID of $0.8 million in 2009 and $0.2 million in 2008.

Our research and development staff numbers increased to 64 at December 31, 2009 (total staff 78) as compared to 61 (total staff 76) at December 31, 2008.

General and administrative / General and administrative expenses decreased to $4.2 million in 2009 as compared to $4.4 million in 2008. General and administrative expenses increased with the addition of Protiva expenses following the business combination on May 30, 2008. This increase in expenses fell off as the two businesses were integrated.

Termination and restructuring expenses / Termination and restructuring expenses were $nil in 2009 and $3.2 million in 2008. In May 2008, as a condition of closing the business combination with Protiva, the employment contract of Tekmira's Chief Executive Officer was terminated and an expense of $2.0 million was recorded. In October 2008, as part of the integration of the operations of Tekmira and Protiva, we completed a restructuring that resulted in a reduction in workforce of 15 employees and recorded an expense of $1.2 million.

Depreciation of property and equipment / Depreciation of property and equipment was $1.0 million in 2009 as compared to $0.8 million in 2008. Our results from May 30, 2008 onwards include Protiva's depreciation charges. Also, capital asset purchases and depreciation thereof has increased steadily in line with growth in the manufacturing side of our business.

In-process research and development acquired from Protiva / In-process research and development acquired through the business combination with Protiva in May 2008 was expensed at $16.3 million the time of acquisition as it has no alternative future use.

Other income (losses) / Interest income / Interest income was $0.2 million in 2009 as compared to $0.9 million in 2008. Our average cash, cash equivalent and short-term investment balances were at similar levels in 2009 and 2008 but average interest rates were significantly lower in 2009 as compared to 2008. In the future, interest income will continue to fluctuate in relation to cash balances and interest yields.

Impairment loss on goodwill / A down-turn in financial markets led us to carry out a goodwill impairment test as at September 30, 2008. Based on Tekmira's market capitalization as at September 30, 2008 we determined that the fair value of goodwill arising from the acquisition of Protiva was nil and an impairment loss of $3.9 million, the full value of goodwill, was recorded in the Consolidated statement of operations and comprehensive loss.

Foreign exchange gains (losses) / Foreign exchange gains (losses) showed losses of $0.4 million in 2009 as compared to gains of $2.1 million in 2008. The foreign exchange gains in 2008 relate largely to the positive effect on our US denominated cash investments and accounts receivable from the strengthening of the US dollar as compared to the Canadian dollar. Conversely, foreign exchange losses in 2009 relate to the weakening of the US dollar as compared to the Canadian dollar.

Towards the end of 2008 we converted the majority of our US dollar cash and cash equivalent holdings into Canadian dollars which reduced our exposure to foreign exchange rate fluctuations in 2009.

5B. Liquidity and Capital Resources

Since our incorporation, we have financed our operations through the sales of shares, 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, 2010, we had cash and cash equivalents of approximately $12.3 million as compared to $24.4 million at December 31, 2009.

Operating activities used cash of $11.2 million in 2010 as compared to $5.5 million in 2009. Excluding changes in non-cash operations items, cash used in operating activities in 2010 was $10.7 million as compared to $7.2 million in 2009 due, largely, to increasing expenses as discussed earlier. Accounts receivable increased by $2.3 million in 2010 as a great deal of work was undertaken and invoiced for the TKM-Ebola U.S. Government contract towards the end of 2010. Deferred revenue increased by $3.0 million in 2010 primarily due to the $3.2 million May 2010 payment from BMS related to the signing of a new collaborative agreement as discussed earlier.

Investing activities used $0.8 million in cash in 2010 as compared to investing activities providing $4.0 million in cash in 2009. Proceeds from short-term investments were $5.7 million in 2009 as we moved maturing short-term investments into high interest saving accounts with a major Canadian bank. The high-interest savings account is classified as "cash and cash equivalents" in our balance sheet. Property and equipment cash outflows in both 2009 and 2010 relate largely to facility improvements and manufacturing equipment. In Q3 2010 we completed upgrades to our in-house clean room facility. Manufacturing in-house gives us more flexibility and more control over our manufacturing process and timelines. Net cash provided by financing activities was $0.03 million in 2010 as compared to $0.01 million 2009. The only financing activity in 2010 and 2009 was from the exercise of stock options.

We believe that our current funds on hand plus expected income including funds from our collaborative partners and the U.S. Government will be sufficient to continue our product development into the second quarter of 2012 (see Item 3.D. "*Risk Factors*).

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, 2010 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 using cash received from U.S. dollar revenues to pay U.S. dollar expenses and by limiting holdings of U.S. dollar cash and cash equivalent balances to working capital levels. We have not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Material Commitments for Capital Expenditures

As at the date of this Annual Report our only material commitments to capital expenditure are for lab and manufacturing equipment related to our TKM-Ebola program and we expect these purchases to be reimbursed by the U.S. Government as the contractor for this program (see Item 4.D. "*Property, plant and equipment*").

5C. Research and Development, Patents and Licences

Cost associated with our research, development, patents and licences are discussed in Item 5.A. "*Operating results*" and Item 4.B. "*Business Overview.*"

5D. Trend Information

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 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 Cdn$ except per share data) - unaudited

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Revenue								
Collaborations and contracts:								
Alnylam	$ 2.4	$ 2.2	$ 2.2	$ 2.0	$ 0.9	$ 1.4	$ 1.8	$ 2.1
U.S. Government	—	—	—	—	—	—	1.2	2.4
Roche	0.4	1.0	1.0	2.4	1.3	0.9	0.7	1.7
Other	0.1	—	0.1	0.1	0.3	—	0.3	—
	2.9	3.2	3.3	4.5	2.5	2.3	3.9	6.2
Alnylam licensing fees and milestone payments	—	0.6	—	—	—	—	0.5	—
Talon license amendment payment	—	—	—	—	—	—	5.9	—
Total revenue	**2.9**	**3.8**	**3.3**	**4.5**	**2.5**	**2.3**	**10.4**	**6.2**
Net loss	**(1.8)**	**(2.0)**	**(2.6)**	**(2.4)**	**(4.2)**	**(4.0)**	**(2.4)**	**(1.9)**
Basic and diluted net loss per share	**$(0.18)**	**$(0.19)**	**$(0.25)**	**$(0.23)**	**$(0.40)**	**$(0.38)**	**$(0.24)**	**$(0.18)**

Quarterly Trends / Our revenue is derived from research and development collaborations and contracts, licensing fees and milestone payments. Over the past two years, our principal sources of ongoing revenue have been our Alnylam partnership entered into in March 2006, our Roche partnership which was expanded in May 2009 and our contract with the U.S. Government to advance TKM-Ebola which began in July 2010.

We had a collaborative research agreement with Alnylam that was completed in August 2009. In January 2009 we signed a Manufacturing Agreement with Alnylam. Revenue from the Alnylam Manufacturing Agreement was higher than usual in Q3 2009, Q4 2009, Q3 2010 and Q4 2010 when deferred revenue related to minimum FTE payments was recognized based on our estimate of percentage of completion of the annual commitment. In Q1 2010 Alnylam revenue was relatively low as fewer batches were requested for manufacture.

In Q3 2010 we began to earn revenue under a contract with the U.S. Government to develop TKM-Ebola.

Revenue from our Roche collaboration increased throughout 2009 to $2.4 million in Q4 2009 when we manufactured a number of drug batches. In November 2010, Roche announced that, as part of a corporate restructuring, they intend to discontinue research and development in the field of RNAi. Following the announcement, Roche confirmed that, except for completing some product stability studies, they would be discontinuing product development with Tekmira. The balance of Roche deferred revenue, except for a provision for the stability study work, was brought into income in Q4 2010.

In Q2 2009 and in Q3 2010 we received US$0.5 million milestone payments from Alnylam following their initiation of phase 1 human clinical trials for two separate products enabled by our LNP delivery technology.

Also in Q3 2010 we received a $5.9 million license amendment payment from Talon. The $5.9 million was then paid to contingent creditors (see Off-balance sheet arrangements – Debt retirement) so is also included as an "other loss" in our Q3 2010 income statement.

We expect revenue to continue to fluctuate particularly due to the variability in demand for our manufacturing services, the development stage of the TKM-Ebola contract and the timing of licensing payments and milestone receipts.

Net losses from Q3 2009 to Q2 2010 generally increased due to increased spending on our TKM-ApoB and TKM-PLK1 programs. In particular, in Q1 and Q2 2010, we were manufacturing materials for preclinical and clinical trials and conducting toxicology studies in preparation for clinical development of both programs.

Net losses in the second half of 2010 are generally lower than the first half of 2010 as revenues increased significantly.

5E. Off-Balance Sheet Arrangements

Debt retirement / We had a contingent obligation that arose through a Purchase and Settlement Agreement dated June 20, 2006 whereby we retired exchangeable and development notes in exchange for contingent consideration including certain future milestone and royalty payments from Talon. Concurrent with signing the second amendment of the license agreement with Talon we signed a Waiver and Release with contingent creditors, the "Former Noteholders". The balance of the contingent obligation related to the Talon milestones and royalties immediately prior to signing the Waiver and Release was US$22.8 million. As per the terms of the Waiver and Release we paid the Former Noteholders $5.9 million (US$5.75 million) in full settlement of the contingent obligation and we included this in our 2010 other income (losses) as loss on purchase and settlement of exchangeable and development notes. We now have no further obligation to the Former Noteholders and we will retain any future milestones or royalties received from Talon.

Protiva promissory notes / On March 25, 2008, our subsidiary, Protiva, declared dividends totaling US$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 US$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 US$12.0 million receivable and the related promissory notes payable are not included in our consolidated balance sheet.

5F. Tabular Disclosure of Contractual Obligations

The following table sets forth Tekmira's contractual obligations as at December 31, 2010:

	Payments due by period (in millions of dollars)				
	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Contractual Obligations	—	—	—	—	—
Long-Term Debt Obligations	—	—	—	—	—
Capital (Finance) Lease Obligations	—	—	—	—	—
Operating Lease Obligations[1]	4.2	1.1	2.4	0.7	—
Purchase Obligations	—	—	—	—	—
Other Long-Term Liabilities	—	—	—	—	—
Total	4.2	1.1	2.4	0.7	—

(1) The operating lease for our laboratory and office premises expires in July 2014 but we have the option to extend the lease to 2017 and then to 2022 and then to 2027. The operating lease obligations shown above are net of sublease income.

We also have collaborative arrangements that require us to undertake certain research and development work as further explained elsewhere in this Annual Report.

ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6A. Directors and Management

The following table sets forth information relating to our directors and executives as at the date of this Annual Report:

Name [1]	Residence	Position
Michael J. Abrams[3] [4]	Custer, Washington, U.S.A.	Director
Arthur M. Bruskin[4]	Huntington Station, New York, U.S.A.	Director
Kenneth Galbraith[2] [4]	Surrey, British Columbia, Canada	Director
Donald G. Jewell[2]	West Vancouver, British Columbia, Canada	Director
Frank Karbe[2]	Mill Valley, California, U.S.A.	Director
Daniel Kisner[4]	Rancho Santa Fe, California, U.S.A.	Director (Chairman)
R. Ian Lennox[3]	Jupiter, Florida, U.S.A	Director
Mark J. Murray	Seattle, Washington, U.S.A.	President, Chief Executive Officer and Director
Ian C. Mortimer	North Vancouver, British Columbia, Canada	Executive Vice President, Finance and Chief Financial Officer
Ian MacLachlan	Mission, British Columbia, Canada	Executive Vice President and Chief Scientific Officer
Peter Lutwyche	Vancouver, British Columbia, Canada	Senior Vice President, Pharmaceutical Development
Paul Brennan	White Rock, British Columbia, Canada	Senior Vice President, Business Development
R, Hector MacKay-Dunn, Q.C.	Vancouver, British Columbia, Canada	Corporate Secretary

(1) Neither age nor date of birth of directors or senior managers is required to be reported in our home country (Canada) nor otherwise publicly disclosed.
(2) Member of Audit Committee.
(3) Member of Executive Compensation and Human Resources Committee.
(4) Member of Corporate Governance and Nominating Committee.

To the knowledge of management, no director is, at the date hereof, or has been, within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company that: (i) was subject to a cease trade order or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Other than as disclosed below, to the knowledge of management, no director or a holding company of such director: (i) is, as at the date hereof, or has been within ten years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of the director. Certain of the investee companies that Dr. Daniel Kisner served on the board of directors in Dr. Kisner’s capacity as representative of Aberdare Ventures became bankrupt, made a proposal under legislation relating to bankruptcy or insolvency or were subject to or instituted proceedings, arrangements or compromises with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Other than as disclosed below, to the knowledge of management, no director or a holding company of such director has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a director. Mr. Ian Lennox entered into a settlement agreement with the Ontario Securities Commission, or OSC, in March 2006 with regard to his purchase in the market of 25,000 shares of Labopharm Inc. while he was a director of Labopharm. The purchase was made outside a Labopharm imposed blackout period and Mr. Lennox properly filed all insider trading reports. Subsequent to the share purchase, Labopharm entered into a licensing agreement. The possibility of entering into such agreement had been discussed with the Labopharm board before Mr. Lennox made his share purchases. Mr. Lennox initiated contact with the OSC on the matter and cooperated fully with OSC staff.

Mark J. Murray, Ph.D., President, Chief Executive Officer and Director. Dr. Murray has served as our President, Chief Executive Officer and Director since May 2008, when Dr. Murray joined Tekmira in connection with the closing of the business combination between Tekmira and Protiva. He previously was the President and CEO and founder of Protiva since its inception in the summer of 2000. Dr. Murray has over 20 years of experience in both the R&D and business development and management facets of the biotechnology industry. Dr. Murray has held senior management positions at ZymoGenetics and Xcyte Therapies prior to joining Protiva. Since entering the biotechnology industry Dr. Murray has successfully completed numerous and varied partnering deals, directed successful product development programs, been responsible for strategic planning programs, raised over $30 million in venture capital and executed extensive business development initiatives in the U.S., Europe and Asia. During his R&D career, Dr. Murray worked extensively on three programs that resulted in FDA approved drugs, including the first growth factor protein approved for human use, a program he led for several years following his discovery. Dr. Murray obtained his Ph.D. in Biochemistry from the University of Oregon Health Sciences University and was a Damon Runyon-Walter Winchell post-doctoral research fellow for three years at the Massachusetts Institute of Technology.

Daniel Kisner, M.D., Chairman and Director. Dr. Kisner has served as the Chairman of our Board since January 2010. Dr. Kisner is currently an independent consultant. From 2003 until December 2010, Dr. Kisner was a Partner at Aberdare Ventures. Prior to Aberdare, Dr. Kisner served as President and CEO of Caliper Technologies, a leader in microfluidic lab-on-a-chip technology. He led Caliper from a technology-focused start up to a publicly traded, commercially oriented organization. Prior to Caliper, he was President and COO of Isis Pharmaceuticals, Inc. Previously, Dr. Kisner was Division VP of Pharmaceutical Development for Abbott Laboratories and VP of Clinical Research and Development at SmithKline Beckman Pharmaceuticals. In addition, he held a tenured position in the Division of Oncology at the University of Texas, San Antonio School of Medicine and is certified by the American Board of Internal Medicine in Internal Medicine and Medical Oncology. Dr. Kisner holds a B.A. from Rutgers University and an M.D. from Georgetown University.

Michael J. Abrams, Ph.D., Director. Dr. Abrams has served as our Director since May 2008. Dr. Abrams has been active in the research, discovery and development of pharmaceuticals for over 20 years. In 1984, Dr. Abrams joined Johnson Matthey plc and in 1991, was promoted to Manager, Biomedical Research, worldwide for Johnson Matthey. In June 1996 Dr. Abrams initiated the Canadian venture-backed financing of AnorMED Inc. He is an inventor on the patents that led to the development of the Lantheus technetium-99m heart imaging agent, Cardiolite® and is a co-inventor on several products currently in clinical trials. He is also a named inventor on an additional 15 patents and has authored over 60 scientific articles. Dr. Abrams served as CEO and a director of AnorMED Inc. until May 2006 and as a director of Migenix Inc. until August 2008 and is currently a director for the Centre for Drug and Research Development and viDA Therapeutics Inc. and Chairman for Indel Therapeutics Inc. In 2009, Dr. Abrams joined Inimex Pharmaceuticals as President and CEO. He is also an Adjunct Professor at the University of British Columbia.

Arthur M. Bruskin, Ph.D., Director. Dr. Bruskin has served as our Director since May 2008. Dr. Bruskin is currently an independent consultant in the biotechnology and pharmaceutical industry. He earned his BA and MA (Microbiology) at the University of Connecticut and his Ph.D. (Biology) at Indiana University. Following his postdoctoral training at the University of California, San Francisco, Dr. Bruksin took a position at Applied Biotechnology (ABT), a Cambridge, MA biotechnology company where he was responsible for their cancer therapeutic program from 1987 to 1991. Following the merger of ABT with Oncogene Science in 1991 (now OSI Pharmaceuticals (NASDAQ:OSIP)), Dr. Bruksin held a variety of positions at OSI including Executive Vice President, Global Research. Dr. Bruskin was responsible for all of OSI's preclinical research in the areas of Oncology and Diabetes and was involved in the discovery and development of Tarceva. After leaving OSI in 2002, Dr. Bruskin has been the Chief Scientific Officer of Interpath Pharmaceuticals Inc. (2005-2006) and the Chief Operating Officer of Eutropics Pharmaceuticals Inc. (2006-2008) and part-time Chief Scientific Officer at America Stem Cell, Inc., a privately held biotechnology company (2009-2010).

Kenneth Galbraith, C.A., Director. Dr. Galbraith has served as our Director since January 2010. Mr. Galbraith is currently a General Partner at Ventures West. He joined Ventures West in 2007 and leads the firm's biotechnology practice. Prior to joining Ventures West, Mr. Galbraith was Chairman and Interim CEO of AnorMED, a biopharmaceutical company focused on new therapeutic products in hematology, HIV and oncology, until its sale to Genzyme Corp. in a cash transaction worth almost US$600 million. Previously, Mr. Galbraith spent 13 years in senior management with QLT Inc., a global biopharmaceutical company specializing in developing treatments for eye diseases, retiring in 2000 from his position as

Executive VP and CFO. Mr. Galbraith was a founding Director of the BC Biotechnology Alliance and served as Chairman of the Canadian Bacterial Diseases Network, one of Canada's federally-funded Networks for Centers of Excellence (NCE). He was also a Director of the Michael Smith Foundation for Health Research and the Fraser Health Authority. He currently serves on the Board of Directors of a number of private biotechnology companies as well as the Vancouver Aquarium Marine Science Centre, one of the world's leading aquariums and Genome BC and has previously served on the Board of Directors of a number of Nasdaq-listed biotechnology companies, including Cardiome Pharma and Angiotech Pharmaceuticals. Mr. Galbraith earned a Bachelor of Commerce (Honours) degree from the University of British Columbia and is a Chartered Accountant.

Donald G. Jewell, C.A., Director. Mr. Jewell has served as our Director since May 2008. Mr. Jewell is a Chartered Accountant with over 30 years of business experience. Mr. Jewell spent 20 years with KPMG and at the time of his departure, he was the managing partner in charge of KPMG's management consulting practice in British Columbia. Until March 2010 Mr. Jewell was Chairman of Cal Investments Limited, a London based hedge fund. Mr. Jewell is currently the managing director of a private Canadian holding company; Trustee of a two substantial Canadian private trusts; and on the Board of the trusts' major operating companies. He is also on the Board of Directors of Lantic Inc.

Frank Karbe, Director. Mr. Karbe has served as our Director since January 2010. Mr. Karbe is currently the Executive Vice President and Chief Financial Officer of Exelixis, Inc., a Nasdaq-listed biotechnology company. Prior to joining Exelixis in 2004, Mr. Karbe worked as an investment banker for Goldman Sachs & Co., where he served most recently as Vice President in the healthcare group focusing on corporate finance and mergers and acquisitions in the biotechnology industry. Prior to joining Goldman Sachs in 1997, Mr. Karbe held various positions in the finance department of The Royal Dutch/Shell Group in Europe. Mr. Karbe holds a Diplom-Kaufmann from the WHU—Otto Beisheim Graduate School of Management, Koblenz, Germany (equivalent to a U.S. Masters of Business Administration).

R. Ian Lennox, M.B.A., Director. Mr. Lennox has served as our Director since May 2008. Mr. Lennox is currently Chairman and CEO of Ricerca Biosciences, LLC, a contract research organization for the pharmaceutical industry and he is also director of several life sciences companies in North America. From 2000 to 2004, Mr. Lennox held leadership positions at MDS Inc. ("MDS"), first as president and chief executive officer, drug discovery and development, and later as president and chief executive officer, pharmaceutical and biotechnology markets. Prior to joining MDS, Mr. Lennox was president and chief executive officer of Phoenix International Life Sciences, a NASDAQ Stock Exchange company, and chairman and chief executive officer of Drug Royalty Corporation, a Toronto Stock Exchange listed company. From 1978 to 1997, Mr. Lennox held progressively senior managerial positions at Monsanto Company in the U.S., Europe and Latin America, including six years as president and chief executive officer of Monsanto (Canada), based in Toronto. Mr. Lennox has also served as director of a number of life sciences companies and charitable foundations in North America. Mr. Lennox holds an Honours B.S. degree in physiology and pharmacology and an M.B.A. from the University of Western Ontario. He has also completed the executive management program in finance at the Columbia School of Business.

Ian C. Mortimer, M.B.A., Executive Vice President, Finance and Chief Financial Officer. Mr. Mortimer has served as our Executive Vice President, Finance, and Chief Financial Officer since April 2007. Mr. Mortimer became the Chief Financial Officer of Tekmira after its spin-out from Inex Pharmaceuticals Corporation in 2007 and has responsibilities for Finance, Investor Relations, Human Resources and Information Technology. From 2004 to 2007, Mr. Mortimer was Chief Financial Officer of Inex. From 1997 to 2004, Mr. Mortimer held positions of increasing responsibility at Inex including leading Inex's investor relations efforts and evaluation of product in-licensing opportunities. He has a B.Sc. in Microbiology from the University of British Columbia, an M.B.A. from Queen's University and is a Certified Management Accountant.

Ian MacLachlan, Ph.D., Executive Vice President, Chief Scientific Officer. Dr. MacLachlan has served as our Executive Vice President and Chief Scientific Officer since May 2008, when Dr. MacLachlan joined Tekmira in connection with the closing of the business combination between Tekmira and Protiva. Dr. MacLachlan was a founder of Protiva in 2000 and led Protiva's R&D program since the company's inception. A graduate of the University of Alberta, where he received both his B.Sc. and Ph.D. in Biochemistry, Dr. MacLachlan spent two years at the Vienna Bio-Center where some of the first experiments in systemic gene delivery were performed. Following this, Dr. MacLachlan conducted postdoctoral research at the Howard Hughes Medical Institute at the University of Michigan in the laboratory of Dr. Gary Nabel, a pioneer in the development of DNA-based therapeutics. Active in molecular therapeutics for more than a decade, he joined Protiva after five years leading the development of the gene transfer technology at Inex Pharmaceuticals. Dr. MacLachlan has been an invited speaker on nucleic acid delivery at the National Institutes of Health, the National Cancer Institute, numerous academic institutions and most major scientific meetings dealing with molecular therapy. He is a member of the New York Academy of Sciences, the Oligonucleotide Therapeutics Society and the American Society of Gene Therapy and serves on the Editorial Board of the journals Molecular Therapy and Oligonucleotides.

Peter Lutwyche, Ph.D., Senior Vice President, Pharmaceutical Development. Dr. Lutwyche has served as our Senior Vice President, Pharmaceutical Development since May 2008, when Dr. Lutwyche joined Tekmira in connection with the completion of the business combination between Tekmira and Protiva. Dr. Lutwyche joined Protiva in February 2008. His responsibilities at Tekmira include manufacturing, process development and quality control for all Tekmira product candidates as well as supporting Tekmira's collaborative partners as they advance products that utilize Tekmira's technology. Dr. Lutwyche joined Protiva from QLT Inc., where he was employed for ten years, most recently as Director,

Pharmaceutical Development. During his tenure at QLT, Dr. Lutwyche contributed to the development and commercialization of Visudyne as well as leading manufacturing and chemistry efforts for numerous preclinical and clinical stage products. Prior to QLT, he was a research scientist at Inex Pharmaceuticals Corporation working with lipid-based formulations of nucleic acids and antibiotics. Dr. Lutwyche holds a Ph.D. in Chemistry from the University of British Columbia.

Paul Brennan, M.Sc., Senior Vice President, Business Development. Mr. Brennan has served as our Senior Vice President, Business Development since September 2010. Mr. Brennan has over 20 years of experience working for pharmaceutical and biotechnology companies in general management, business development, marketing and regulatory affairs. Prior to joining Tekmira, Mr. Brennan was a principal at Pacific BioPartners, a consulting company focused on supporting biotechnology companies with general management and business development expertise. Prior to that he served as CEO of Altair Therapeutics, an emerging biopharmaceutical company based in San Diego, which focused on developing inhaled oligonucleotides for respiratory diseases. Prior to Altair, Mr. Brennan was Senior Vice President, Business Development at Aspreva Pharmaceuticals and was involved in the sale of Aspreva to Vifor Pharma for $915 million. Prior to Aspreva, Mr. Brennan was at AnorMED where he held a number of roles including Acting President during which time he was involved in the sale of AnorMED to Genzyme for $580 million. Mr. Brennan has also held senior positions in business development and regulatory affairs at AstraZeneca, where he worked in Sweden, the United Kingdom and Canada. Mr. Brennan has a MSc and BSc from Queen's University in Kingston, Ontario.

R. Hector MacKay-Dunn, Q.C., Corporate Secretary. Mr. MacKay-Dunn has served as our Corporate Secretary since May 2010. Mr. MacKay-Dunn is a Senior Partner at Farris, Vaughan, Wills & Murphy LLP. Mr. MacKay-Dunn advises and has served as a director and corporate secretary of private and public growth companies in a broad range of industries on domestic and cross-border private and public securities offerings, mergers and acquisitions, tender offers, and international partnering transactions. Mr. MacKay-Dunn was appointed Queen's Counsel in 2003. Mr. MacKay-Dunn is the immediate past Chair of the British Columbia Innovation Council, the Province's lead agency with the mandate to advance ideas into investment-ready companies in the areas of science and technology, a director of British Columbia Leading Edge Endowment Fund, British Columbia's CDN $60 million program to attract top researchers to B.C.'s universities and LifeSciences BC and a former director of Genome British Columbia. Mr. Mackay-Dunn holds a B.A. and LL.B. from the University of British Columbia.

6B. Compensation

The following disclosure sets out the compensation for our Named Executive Officers and directors for the financial year ended December 31, 2010. For the purposes herein, our Named Executive Officers includes our Chief Executive Officer, Chief Financial Officer, Chief Scientific Officer, Vice President of Pharmaceutical Development and Vice President of Strategic Planning and Business Development, as indicated in the "Summary Compensation Table" below.

Compensation Discussion and Analysis

Principles, Components and Policies

The Executive Compensation and Human Resources Committee, or the Compensation Committee, is responsible for recommending the compensation of our executive officers to the Board of Directors. In establishing compensation levels for executive officers, the Compensation Committee seeks to accomplish the following goals:

- to recruit and subsequently retain highly qualified executive officers by offering overall compensation which is competitive with that offered for comparable positions in other biotechnology companies;
- to motivate executives to achieve important corporate performance objectives and reward them when such objectives are met; and
- to align the interests of executive officers with the long-term interests of shareholders through participation in our share option plan, which we refer to as our Share Option Plan.

Currently, our executive compensation package consists of the following components: base salary, discretionary annual incentive cash bonuses, long-term incentives in the form of share options and health and retirement benefits generally available to all of our employees. We have not granted any share appreciation rights to its directors and officers. We have established the above components for its executive compensation package because it believes a competitive base salary and opportunity for annual cash bonuses are required to retain key executives and participation in the Share Option Plan enables our executive officers to participate in our long term success and aligns their interests with those of the shareholders. Additional details on the compensation package for Named Executive Officers are described in the following sections.

Base Salary

The Named Executive Officers are paid a salary in order to ensure that the compensation package offered by us is in line with that offered by other comparable companies in the biotechnology industry, and as an immediate means of rewarding the Named Executive Officer for efforts expended on our behalf. In the third quarter of 2010, LaneCaputo Compensation Inc. was engaged to review Executive and Director Compensation. LaneCaputo used the following companies to benchmark compensation: AEterna Zentaris Inc., AVI Biopharma, Inc., Celldex Therapeutics, Inc., Cleveland BioLabs Inc., Curis, Inc.,

Idera Pharmaceuticals, Inc., Inhibitex, Inc., Inovio Pharmaceuticals, Inc., Neuralstem, Inc., NovaBay Pharmaceuticals, Inc., OncoGenex Pharmaceuticals, Inc., Peregrine Pharmaceuticals Inc., Rexahn Pharmaceuticals, Inc., Sangamo BioSciences, Inc., Transition Therapeutics Inc. and YM BioSciences Inc. Base salaries for Named Executive Officers are evaluated against the responsibilities inherent in the position held and the individual's experience and past performance. Base salaries for Dr. Murray, Mr. Mortimer, Dr. MacLachlan and Dr. Lutwyche were established as part of the business combination negotiations completed in May 2008 and no formal compensation survey was completed in 2008.

Effective January 1, 2009 the base salary of Dr. Murray was increased by 6% to $345,000 and Dr. Lutwyche's salary was increased 11% to $205,000. Mr. Mortimer's and Dr. MacLachlan's base salaries remained unchanged at $285,000.

Effective January 1, 2010 the base salary of Dr. MacLachlan was increased to $295,000. Dr. Lutwyche's salary was increased 5% to $215,000 on January 1, 2010 and by a further 5% to $225,000 in May 2010 when he was promoted to Senior Vice President of Pharmaceutical Development. Dr. Murray's and Mr. Mortimer's salaries remained unchanged in 2010. Mr. Brennan commenced employment with Tekmira as Senior Vice President of Business Development in September 2010 with a base salary of $230,000 per year. Tekmira engaged a third party firm to evaluate Tekmira's Named Executive Officer compensation, including base salaries, in the third quarter of 2010. Based on the recommendations of the third party firm, no changes were made to the base salaries of the Named Executive Officers except for Dr. Murray whose salary became US$350,000 effective January 1, 2011.

Annual Incentive Cash Bonuses

The Board of Directors approve annual corporate objectives, which are used by the Compensation Committee for the purpose of determining recommendations to the Board of Directors on annual cash incentive bonuses, giving due consideration to our stage of development. The Compensation Committee meets regularly with our Chief Executive Officer to discuss corporate objectives. Determinations regarding individual achievement for purposes of cash bonuses are made solely at the discretion of the Board of Directors. We paid no cash bonuses to Named Executive Officers in fiscal 2008, in order to conserve our cash resources given the market conditions at that time and taking into consideration the total compensation of the Named Executive Officers.

Starting in 2009, we changed our policy of reviewing performance and paying bonuses only at year end to a policy of paying bonuses if and when we achieve major corporate objectives as determined by the Compensation Committee and Board of Directors. Cash bonus payments remain at the full discretion of the Board of Directors. Our objectives for 2009, as established by the Board of Directors included, filing an Investigational New Drug (IND) application for TKM-ApoB; advancing TKM-PLK1 toward clinical development; selecting a third product candidate; supporting our pharmaceutical partners by providing research, development and manufacturing services; and, maintaining a strong cash position. For 2009, Dr. Murray, Mr. Mortimer and Dr. MacLachlan were eligible to earn cash bonuses of up to a maximum of 50% of their respective base salaries based on the Board of Directors determination of achievement of corporate goals. For 2009, Dr. Lutwyche was eligible to earn a cash bonus up to a maximum of 35% of his base salary based on the Board of Directors determination of achievement of corporate goals. The Compensation Committee recommended, and the Board of Directors approved, the payment of 60% of the maximum cash bonus for 2009 in May 2009 following the completion of two major corporate objectives: filing an IND application for TKM-ApoB and signing a product development agreement with Roche. The recommendation of our Compensation Committee, and the determination of our Board of Directors, to pay 60% of the maximum cash bonus was based on the significance of the combined achievement of these corporate objectives relative to the remaining corporate objectives described above and a recognition of the collective efforts of our Named Executive Officers in achieving them, but was not derived based on any quantitative weighting of the corporate performance goals or other formulaic process. There were no further bonuses paid or payable with respect to 2009.

Maximum percentage bonus potential for Drs. Murray, MacLachlan and Lutwyche and Mr. Mortimer for 2010 was the same as for 2009. Mr. Brennan, who joined Tekmira in September 2010, was eligible to earn a cash bonus up to a maximum of 35% of his base salary in 2010. Our objectives for 2010, as established by the Board of Directors included, initiating a Phase 1-2 clinical trial for TKM-ApoB; advancing TKM-PLK1 into a Phase 1 human clinical trial; selecting a third product candidate; supporting our pharmaceutical partners by providing research, development and manufacturing services; and, maintaining a strong cash position. The Compensation Committee recommended, and the Board of Directors approved, the payment of 50% of the maximum cash bonus for 2010 in August 2010 following the award of a contract with the U.S. Government to further develop TKM-Ebola. The bonus payment was based on the significance of this new contract combined with progress on some of our other corporate objectives relative to the remaining corporate objectives described above. The bonus is not based on any quantitative weighting of the corporate performance goals or other formulaic process. There were no further bonuses paid or payable to the Named Executive Officers with respect to 2010.

Long-Term Incentives—Share Options

Share options are granted to reward individuals for current performance, expected future performance and to align the long term interest of Named Executive Officers with shareholders. Share options are generally granted in December of each year as part of the annual compensation review. The number of share options granted to Named Executive Officers is based on performance during the current year and expectations of our future needs. Mr. Mortimer was granted 6,000 options on

April 1, 2008. These options were the 2007 end of year annual options that could not be granted until Tekmira's share trading black-out was lifted following the announcement of the business combination with Protiva. Mr. Mortimer was also awarded 8,000 options on April 1, 2008 in recognition of his long-standing service to us. Following the announcement of the business combination of Tekmira and Protiva, additional options were granted to Dr. Murray, Mr. Mortimer and Dr. MacLachlan. Mr. Mortimer was granted a further 70,000 options on April 1, 2008 concurrent with the announcement of the business combination and Drs. Murray and MacLachlan were each granted 30,000 options on August 31, 2008 upon signing new employment agreements. These share option grants were determined and approved by all independent Directors based on the need to retain key Named Executive Officers to lead the new organization after the business combination of Tekmira and Protiva. In December 2008, based on corporate and individual performance and our needs for the upcoming fiscal year, Dr. Murray was granted 25,000 options, Dr. MacLachlan 16,000 options, Mr. Mortimer 11,000 options and Dr. Lutwyche 18,000 options.

We were in a share trading black-out at the end of 2009 so we were not able to grant share options at that time. In January 2010, once the share trading black-out had been lifted, we granted 25,000 options to Dr. Murray and 16,000 options to each of Mr. Mortimer, Dr. MacLachlan and Dr. Lutwyche. These share option grants were recommended by the Compensation Committee and approved by independent Directors based on corporate and individual performance and our needs for fiscal 2010.

Mr. Brennan was granted 20,000 new hire options in September 2010. Tekmira staff were granted options in December 2010, as is our usual practice. The Named Executive Officers and Board members were not, however, granted any options at that time as the Company wishes to maintain a balance of ungranted options for use in future periods.

Share option grants are not based on pre-determined performance goals, either personal or corporate. Awards reflect the qualitative judgment of the Board of Directors as to whether a grant should be awarded for retention or incentive purposes and if so what the size and timing of such awards should be as well as taking into consideration the third party compensation survey completed for us in the third quarter of 2010.

Equity Compensation Plans

The only ongoing equity compensation plan which the Company has in place is the Share Option Plan. This plan was approved by shareholders of Tekmira's predecessor corporation in January 1996, adopted by the Board in April 2007 on the transfer of the business of that predecessor corporation to Tekmira, and last amended on May 12, 2009.

The Share Option Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The Share Option Plan is administered by the directors of the Company. The Share Option Plan provides that options will be issued to directors, officers, employees or consultants of the Company or a subsidiary of the Company. Shareholders have approved the issuance of a maximum of 1,369,255 common shares of Tekmira under the Share Option Plan which represents approximately 13.2% of the Company's issued and outstanding common shares at April 30, 2011.

Since January 1996, the equivalent of 91,854 common shares of Tekmira have been issued pursuant to the exercise of options granted under the Share Option Plan (which represents approximately 0.9% of the Company's issued and outstanding common shares), and as of April 30, 2011, there were 1,080,611 common shares of Tekmira subject to options outstanding under the Share Option Plan (which represents approximately 10.4% of the Company's current issued and outstanding common shares). The number of common shares of Tekmira remaining available for future grants of options as at April 30, 2011 was 196,790 (which represents approximately 1.9% of the Company's current issued and outstanding common shares).

The following table sets out Share Option Plan information as at the end of the financial year ended December 31, 2010.

Equity compensation plans approved by securityholders	Number of securities to be issued upon exercise of outstanding options ("Column A Securities")	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding Column A Securities)
Share Option Plan	1,083,436	$ 7.95	193,965

In addition to the Share Option Plan, we have obligations to issue common shares on the exercise of options issued by Protiva before its acquisition by Tekmira. The issue of these shares was approved by shareholders when they authorized the acquisition of Protiva. We reserved 350,457 common shares for issue on the exercise of Protiva share options, or Protiva Reserved Shares. These shares are reserved for the issue to those shareholders who did not exercise their Protiva share options and exchange the shares of Protiva issuable on exercise for common shares of Tekmira on the closing of the business combination with Protiva. By agreement with these option holders, on the exercise of their Protiva stock options they will be issued our common shares. The Protiva Reserved Shares equal the same number of Tekmira common shares they would have received if the Protiva option holder had exercised their options and transferred the shares to Tekmira or approximately 0.675 Tekmira shares for each Protiva option. The Protiva Reserved Shares are not part of the Share Option Plan. The Protiva share options all have a $0.30 exercise price and expire on dates ranging from August 30, 2011 to March 1, 2018. As of April 30, 2011, 5,636 Protiva share options had been exercised and converted into 3,805 shares of Tekmira.

Terms of the Share Option Plan

The Share Option Plan provides that the Board of Directors may, from time to time, grant options to acquire all or part of the shares subject to the Share Option Plan to any person who is an employee or director of the Company or any of its subsidiaries, or any other person or company engaged to provide ongoing management, financial and scientific consulting or like services for the Company or any of its subsidiaries. The exercise price of options granted under the Share Option Plan will be determined by the directors, but will be at least equal to the closing trading price for the common shares of Tekmira on the day before the grant date. The term of option granted may not exceed 10 years from the date of grant of the option.

Tekmira options may not be exercised after an optionee ceases to be an eligible recipient under the Share Option Plan, except as follows:

- in the case of death, all unvested options of the optionee will be deemed to have become fully vested immediately before death, and the personal representatives of the optionee will be entitled to exercise the options at any time by the earlier of (a) the expiry date, and (b) the first anniversary of the date of death;
- in the case of retirement, all unvested options of the optionee will be deemed to have become fully vested immediately before retirement, and the options will be exercisable by the earlier of (a) the expiry date, or (b) the first anniversary of the date of retirement;
- in the case of an optionee becoming unable to work due to illness, injury or disability, all option rights will vest, and the options will be exercisable, on the same terms as if the optionee had continued to be an eligible recipient under the Share Option Plan; and
- in the case of an optionee resigning his office, or terminating his employment or service, or being dismissed without cause, the option rights that have accrued to such optionee up to the time of termination will be exercisable within the 30 days after the date of termination.

In the case of an optionee being dismissed from office, employment or service for cause, all option rights that had accrued to the optionee to the date of termination will immediately terminate.

Any option granted is also subject to certain vesting provisions, typically over three years for employees and immediate vesting for directors. Except in the case of the death of an optionee, an option may be exercisable only by the optionee to whom it is granted and may not be assigned. The Share Option Plan does not provide for any financial assistance to Plan members in exercising their options.

As specifically provided for in the Share Option Plan, the number of common shares of Tekmira that, under all share compensation arrangements:

- may be reserved for issuance to all insiders, may not exceed 10% of the common shares of Tekmira outstanding on a non-diluted basis (the “Outstanding Issue”) at that time;
- may be issued to all insiders within a one-year period may not exceed 10% of the Outstanding Issue at that time;
- to any one insider and his or her associates, within a one-year period, may not exceed 5% of the Outstanding Issue at that time; and
- may be reserved for issuance to non-employee directors, may not exceed 2% of the Outstanding Issue at that time (the “Non-Employee Director Cap”).

The Board reserves the right, in its absolute discretion, to at any time amend, modify or terminate the Share Option Plan. Any amendment to any provision of the Share Option Plan will be subject to any necessary approvals by shareholders and any stock exchange or regulatory body having jurisdiction over the securities of the Company.

Shareholder approval is required for any amendment or modification to the Share Option Plan that does any of the following:

- increases the number of common shares of Tekmira reserved for issuance under the Share Option Plan;
- reduces the exercise price of an option except for the purpose of maintaining option value in connection with a subdivision or consolidation of, or payment of a dividend payable in, common shares of Tekmira or a reorganization, reclassification or other change or event affecting the common shares of Tekmira (for this purpose, cancellation or termination of an option of a Share Option Plan participant prior to its expiry date for the purpose of reissuing options to the same participant with a lower exercise price shall be treated as an amendment to reduce the exercise price of an option);
- extends the term of an option beyond the expiry date or allow for the expiry date to be greater than 10 years (except where an expiry date would have fallen within a blackout period of the Company);

- permits options to be assigned or exercised by persons other than the optionholder except for normal estate planning or estate settlement purposes;
- permits equity compensation, other than Tekmira options, to be made under the Share Option Plan; or
- changes to the Non-Employee Director Cap from a maximum of 2% of the Outstanding Issue at that time.

Except for the above noted matters, the Board retains the power to approve all other changes to the Share Option Plan without shareholder approval. Such amendments may include the following:

- amendments to the terms and conditions of this Plan necessary to ensure that the Share Option Plan complies with the applicable regulatory requirements, including without limitation the rules of the Toronto Stock Exchange or any national securities exchange or system on which the common shares of Tekmira are then listed or reported, or by any regulatory body having jurisdiction with respect thereto;
- making adjustments to outstanding options in the event of certain corporate transactions;
- the addition of a cashless exercise feature, payable in cash or securities, whether or not such feature provides for a full deduction of the number of underlying securities from the number of common shares of Tekmira reserved for issuance under the Share Option Plan;
- a change to the termination provisions of a security or the Share Option Plan which does not entail an extension beyond the original expiry date;
- amendments to the provisions of the Share Option Plan respecting administration of the Share Option Plan and eligibility for participation under the Share Option Plan;
- amendments to the provisions of the Share Option Plan respecting the terms and conditions on which options may be granted pursuant to the Share Option Plan, including the provisions relating to the exercise price, option period, and vesting schedule; and
- amendments to the Share Option Plan that are of a “housekeeping nature”.

Summary Compensation Table

The following table sets out the compensation paid, payable or otherwise provided to the Company’s Named Executive Officers during the Company’s three most recently completed financial years ending on December 31. All amounts are expressed in Canadian dollars unless otherwise noted.

Name and principal position	Year	Salary ($)	Option-based awards[1] ($)	Annual incentive cash bonuses [2] ($)	All other compensation [3] ($)	Total compensation ($)
Dr. Mark J. Murray[4]	2010	345,000	88,453	86,250	55,584	575,287
President and Chief Executive Officer	2009	345,000	—	103,500	90,237	538,737
	2008	189,583	168,646	—	14,727	372,956
Ian C. Mortimer	2010	285,000	56,610	71,250	—	412,860
Executive Vice President, Finance and Chief Financial Officer	2009	285,000	—	85,500	133,550	504,050
	2008	260,313	448,391	—	7,909	716,613
Dr. Ian MacLachlan[5]	2010	295,000	56,610	73,750	2,965	428,325
Executive Vice President and Chief Scientific Officer	2009	285,000	—	85,500	8,550	379,050
	2008	166,250	153,867	—	7,520	327,637
Dr. Peter Lutwyche[6]	2010	221,327	56,610	39,375	—	317,312
Senior Vice President of Pharmaceutical Development	2009	205,000	—	43,050	6,150	254,200
	2008	107,917	29,599	—	4,963	142,479
Paul A. Brennan[7]	2010	73,128	151,517	—	—	224,645
Senior Vice President of Business Development	2009	—	—	—	—	—
	2008	—	—	—	—	—

Notes:

(1) The fair value of each option is estimated as at the date of grant using the most widely accepted option pricing model, Black-Scholes. The weighted average option pricing assumptions and the resultant fair values for options awarded in 2008 are as follows: expected average option term of eight years; a zero dividend yield; a weighted average expected volatility of 117.4%; and, a weighted average risk-free interest rate of 2.95%. No option-based awards were issued to the Named Executive Officers during the year ended December 31, 2009. The weighted average option pricing assumptions and the resultant fair values for options awarded in 2010 are as follows: expected average option term of eight years; a zero dividend yield; a weighted average expected volatility of 120.3%; and, a weighted average risk-free interest rate of 2.67%.

(2) No bonuses were awarded to the Named Executive Officers in 2008. The Executive Compensation and Human Resources Committee approved the payment of 60% of the available executive bonus pool during 2009. The Executive Compensation and Human Resources Committee approved the payment of 50% of the available executive bonus pool during 2010.

(3) All other compensation in 2008 and 2009 includes Registered Retirement Savings Plan, or RRSP, or equivalent matching payments of the lower of 3% of salary and 50% of the maximum annual contribution allowed by the Canada Revenue Agency. In 2008 and 2009 all of our full-time employees and executives were eligible for RRSP or equivalent matching payments. In 2010 RRSP match payments were suspended indefinitely to conserve cash. In 2009 Dr. Murray also received a tax gross-up payment of $46,425 in respect of his earnings prior to the business combination with Protiva. Under Dr. Murray's previous employment agreement, which was replaced effective May 30, 2008 following the business combination with Protiva, he was eligible for a tax gross-up payment which ensures that he is no worse off as a result of paying taxes on his earnings from us in Canada as compared to if he had worked and paid taxes only in the United States. The payment was calculated and paid in 2009 once Dr. Murray had filed his 2008 U.S. and Canadian tax returns. Dr. Murray's employment agreement with Tekmira, effective May 30, 2008, does not include a tax gross-up clause. Dr. Murrary's other compensation also includes reimbursement of personal tax filing service fees up to a maximum of $10,000 per year as per his contract. Dr. Murray's and Dr. MacLachlan's other compensation also includes amounts claimed under their contractual entitlement to reimbursement of any health expenses incurred, including their families' health expenses, that are not covered by insurance. On May 31, 2009, a year and a day after the business combination with Protiva, Mr. Mortimer received a one time retention bonus of $125,000.

(4) Dr. Murray entered into an employment agreement with Tekmira after completion of the business combination with Protiva effective May 30, 2008. Under this agreement, Dr. Murray earned a salary of $189,583 in 2008 which is a salary of $325,000 on an annualized basis. Effective January 1, 2009 Dr. Murray's annual salary was increased to $345,000. Dr. Murray's compensation is earned in Canadian dollars but is converted to U.S. dollars before payment using the Bank of Canada's exchange rate as at the end of the month prior to the month of payment.

(5) Dr. MacLachlan entered into an employment agreement with Tekmira after completion of the business combination with Protiva effective May 30, 2008. Under this agreement, Dr. MacLachlan earned a salary in 2008 of $166,250 which is a salary of $285,000 on an annualized basis. Dr. MacLachlan salary was increased to $295,000 on January 1, 2010.

(6) In 2008 Dr. Lutwyche earned a salary of $107,917 which is a base salary of $185,000 on an annualized basis. Effective January 1, 2009, Dr. Lutwyche's annual salary was increased to $205,000. Dr. Lutwyche's annual salary was increased to $215,000 on January 1, 2010 and to $225,000 in May 2010.

(7) Mr. Brennan commenced employment with in September 2010 with an annual salary of $230,000.

Option Based Awards

Share options are generally awarded to executive officers at commencement of employment and periodically thereafter after taking into consideration, among other things, the number of share options held by an executive officer. Options are generally granted to corporate executives in December of each year as part of the annual compensation review. Any special compensation other than cash bonuses is typically granted in the form of options. Options are granted at other times of the year to individuals commencing employment with us or in special circumstances. The exercise price for the options is the closing price of the Common Shares on the last trading day before the grant of the option.

Named Executive Officer Incentive Plan Awards—Outstanding Option-based Awards

The following table sets out all option-based awards and share-based awards outstanding as at December 31, 2010, for each Named Executive Officer:

	Option-based Awards			
Name	**Number of securities underlying unexercised options (#)**	**Option exercise price ($)**	**Option expiration date**	**Value of unexercised in-the-money options [1] ($)**
Dr. Mark Murray [2]	2,025	0.44	January 22, 2011	8,213
	81	0.44	January 22, 2011	329
	27	0.44	February 16, 2011	110
	72	0.44	April 30, 2011	292
	54	0.44	June 3, 2011	219
	270	0.44	July 16, 2011	1,095
	27	0.44	July 23, 2011	110
	14,973	0.44	August 30, 2011	60,726
	27	0.44	December 19, 2011	110
	81	0.44	January 22, 2012	329

	Option-based Awards			
Name	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options [1] ($)
	27	0.44	June 8, 2012	110
	27	0.44	July 23, 2012	110
	8,193	0.44	July 29, 2012	33,228
	219,428	0.44	September 12, 2015	889,926
	27,007	0.44	March 1, 2018	109,532
	30,000	4.65	August 30, 2018	0
	25,000	1.80	December 8, 2018	67,500
	25,000	3.85	January 27, 2020	16,250
Ian C. Mortimer	3,000	7.00	December 14, 2014	0
	15,000	3.10	July 25, 2015	21,000
	10,000	5.40	March 28, 2016	0
	15,000	3.00	August 2, 2016	22,500
	10,000	6.50	August 6, 2017	0
	84,000	5.60	March 31, 2018	0
	11,000	1.80	December 8, 2018	29,700
	16,000	3.85	January 27, 2020	10,400
Dr. Ian MacLachlan	30,000	4.65	August 30, 2018	0
	16,000	1.80	December 8, 2018	43,200
	16,000	3.85	January 27, 2020	10,400
Dr. Peter Lutwyche	18,000	1.80	December 8, 2018	48,600
	16,000	3.85	January 27, 2020	10,400
Paul A. Brennan	20,000	8.20	September 6, 2020	0

Notes:

(1) This amount is based on the difference between Tekmira's year end TSX share price of $4.50 and the exercise price of the option.

(2) Dr. Murray holds options to purchase 403,337 common shares of Protiva, a wholly-owned subsidiary of Tekmira, with an exercise price of $0.30. As part of the business combination between Tekmira and Protiva, Tekmira agreed to issue 272,319 common shares of Tekmira on the exercise of these stock options giving an effective cost per Tekmira stock option of $0.44. The shares reserved for issue on the exercise of the Protiva options are equal to the number of Tekmira common shares that would have been issued if the options had been exercised before the completion of the business combination and the shares issued on exercise of the options had then been exchanged for Tekmira common shares. See "Securities Authorized for Issuance Under Equity Compensation Plans – Additional Shares Subject to Issue".

Named Executive Officer Incentive Plan Awards—Value Vested During the Year

The aggregate value of executive options vesting during the year ended December 31, 2010 measured at their date of vesting by comparing option exercise price to closing market price on that day was:

Name	Option-based awards – Value vested during the year ($)
Dr. Mark J. Murray	0
Ian C. Mortimer	0
Dr. Ian MacLachlan	0
Dr. Peter Lutwyche	0
Paul A. Brennan	0

Termination and Change of Control Benefits

The following table provides information concerning the value of payments and benefits following the termination of employment of the Named Executive Officers under various circumstances. Payments vary based on the reason for termination and the timing of a departure. The below amounts are calculated as if the Named Executive Officer's employment had been terminated on December 31, 2010. Receipt of payments on termination is contingent on the Named Executive Officer delivering a release to Tekmira.

Payment Type	Dr. Mark J. Murray	Dr. Ian MacLachlan	Ian C. Mortimer	Dr. Peter Lutwyche	Paul A. Brennan
Involuntary Termination by Tekmira for cause or upon death					
Cash payment	$ 0	$ 0	$ 0	$ 0	$ 0
Option values (1)	$1,157,659	$ 35,000	$ 68,375	$ 39,050	$ 0
Benefits (2)	$ 0	$ 0	$ 0	$ 0	$ 0
Involuntary Termination by Tekmira without cause or by Executive with good reason (3)					
Cash payment	$1,035,000	$ 885,000	$855,000	$150,000	$115,000
Option values (4)	$1,184,121	$ 51,000	$ 81,000	$ 41,650	$ 0
Benefits (2)	$ 185,742	$ 22,630	$ 16,664	$ 5,483	$ 4,116

Notes:

(1) This amount is based on the difference between Tekmira's year end share price of $4.50 and the exercise price of the options that were vested as at December 31, 2010.

(2) Ongoing benefit coverage has been estimated assuming that benefits will be payable for the full length of the severance period which would be the case if new employment was not taken up during the severance period. Benefits include extended health and dental coverage that is afforded to all of the Company's full time employees. Dr. Murray's benefits also include a $2,000,000 life insurance policy, the reimbursement of up to $10,000 per annum in professional fees related to the filing of his tax returns. Dr. Murray and Dr. MacLachlan's benefits also include an estimate of the costs of reimbursement of health expenses incurred, including their families' health expenses, that are not covered by insurance.

(3) Paid in circumstances of the Named Executive Officer departing for "good reason", which includes an adverse change in the Named Executive Officer's duties or responsibilities or a reduction in compensation and benefits.

(4) This amount is based on the difference between Tekmira's year end share price of $4.50 and the exercise price of the options that were vested as at December 31, 2010 and options that would vest during the severance period.

Long-Term Incentive Plan Awards for Named Executive Officer

We do not have any long-term incentives for our Named Executive Officers other than stock options.

Pension, Retirement or Similar Benefits for Named Executive Officer

We do not have any amounts set aside or accrued to provide for pension, retirement or similar benefits for our Named Executive Officers.

Director Compensation

The Board of Directors, or the Board, has adopted formal policies for compensation of non-executive directors. In order to align the interests of directors with the long-term interests of shareholders, the directors have determined that the most appropriate form of payment for their services as directors is through participation in the Share Option Plan as well as an annual cash retainer and fees for meeting attendance. Directors who also serve as a member of our management team receive no additional consideration for acting as a director.

The Board has adopted a policy that non-executive directors are granted options upon appointment as a director and are eligible for annual grants thereafter. Following the business combination with Protiva, the Board reviewed its fee schedule and effective September 1, 2008, adopted the following fee schedule: an annual cash retainer of US$18,000 per annum (US$25,500 for the Chairman of the Board; an additional US$5,000 for the Chairman of the Audit Committee; an additional US$2,500 for members of the Audit Committee; and an additional US$2,500 for the Chairman of any other Board constituted committees) and meeting fees of US$500 to US$1,750. The fee schedule was adjusted to increase the annual retainer and lower per meeting fees in line with companies comparable to Tekmira which lowered the overall cash compensation on an annual basis.

Non-executive directors earned cash compensation of $294,786 in 2010 as annual retainer and meeting attendance fees. The Company also, reimburses directors for expenses they incur on behalf of the Company, including attending meetings of the Board.

The compensation provided to the directors, excluding Dr. Murray who is included in the Named Executive Officer disclosure above, for the Company's most recently completed financial year of December 31, 2010 is:

Name	Fees earned ($)	Option-based awards (1) ($)	Total ($)
Daniel Kisner	38,908	35,381	74,289
Don Jewell	35,928	17,691	53,619
Frank Karbe (Audit Committee Chair)	34,980	17,691	52,671
Kenneth Galbraith	33,933	17,691	51,624
R. Ian Lennox	35,948	17,691	53,639
Michael J. Abrams	38,632	17,691	56,323
Arthur M. Bruskin	33,132	17,691	50,823
James W. Hudson	21,324	17,691	39,015
Gary E. Frashier	18,699	17,691	36,390
K. Michael Forrest	3,301	—	3,301

Notes:

(1) The fair value of each option is estimated as at the date of grant using the most widely accepted option pricing model, Black-Scholes. The weighted average option pricing assumptions and the resultant fair values for options awarded in 2010 are as follows: expected average option term of eight years; a zero dividend yield; a weighted average expected volatility of 119.6%; and, a weighted average risk-free interest rate of 2.81%.

Director Incentive Plan Awards

Outstanding Option-based Awards and Share-based Awards

The following table sets out all option-based awards and share-based awards outstanding as at December 31, 2010, for each director serving for at least a portion of 2010.

	Option-Based Awards			
Name	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options (1) ($)
Daniel Kisner	10,000	3.85	January 27, 2020	6,500
Don Jewell	5,000	1.80	December 8, 2018	13,500
	5,000	3.85	January 27, 2020	3,250
Frank Karbe	5,000	3.85	January 27, 2020	3,250
Kenneth Galbraith	5,000	3.85	January 27, 2020	3,250
R. Ian Lennox	5,000	1.80	December 8, 2018	13,500
	5,000	3.85	January 27, 2020	3,250
Michael J. Abrams (2)	675	0.44	January 22, 2011	2,738
	675	0.44	January 22, 2012	2,738
	675	0.44	January 21, 2013	2,738
	675	0.44	January 21, 2014	2,738
	675	0.44	January 22, 2015	2,738
	17,044	0.44	September 12, 2015	69,125
	5,445	0.44	December 31, 2015	22,083
	675	0.44	April 3, 2017	2,738
	13,503	0.44	May 27, 2017	54,764
	5,000	1.80	December 8, 2018	13,500
	5,000	3.85	January 27, 2020	3,250
Arthur M. Bruskin	4,000	5.60	March 31, 2018	0
	5,000	1.80	December 8, 2018	13,500
	5,000	3.85	January 27, 2020	3,250

Name	Option-Based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money options [1] ($)
James W. Hudson [3]	1,500	7.00	December 14, 2014	0
	2,500	5.40	March 28, 2016	0
	5,000	3.00	August 2, 2016	7,500
	5,000	6.50	August 6, 2017	0
	9,000	5.60	March 31, 2018	0
	5,000	1.80	December 8, 2018	13,500
	5,000	3.85	January 27, 2020	3,250
Gary E. Frashier [3]	1,500	7.00	December 14, 2014	0
	2,500	5.40	March 28, 2016	0
	5,000	3.00	August 2, 2016	7,500
	5,000	6.50	August 6, 2017	0
	9,000	5.60	March 31, 2018	0
	5,000	1.80	December 8, 2018	13,500
	5,000	3.85	January 27, 2020	3,250
K. Michael Forrest [4]	1,500	7.00	December 14, 2014	0
	2,500	5.40	March 28, 2016	0
	5,000	3.00	August 2, 2016	7,500
	5,000	6.80	August 6, 2017	0
	12,000	5.60	March 31, 2018	0
	5,000	1.80	December 8, 2018	13,500

Notes:

(1) This amount is based on the difference between Tekmira's year end share price of $4.50 and the exercise price of the option.
(2) All of Dr. Abrams's options with an exercise price of $0.44 were granted to Dr. Abrams as a Director of Protiva. The shares reserved for these options are equal to the number of Tekmira common shares that would have been received if the options had been exercised prior to the business combination and subsequently exchanged for Tekmira common shares such that Dr. Abrams will receive Temkira common share upon exercise of these options.
(3) Messrs. Hudson and Frashier resigned as directors on June 23, 2010, the date of the last Annual General Meeting.
(4) Mr. Forrest resigned as a director on January 28, 2010.

Director options are priced at the closing market price of the previous trading day and vest immediately upon granting. The Company typically grants options to directors at the time of their first appointment to the Board and then on an annual basis at the end of the fiscal year. The Company was in a share trading black-out at the end of 2009 so was not able to grant share options at the end of the fiscal year. In January 2010, once the share trading black-out had been lifted, the Company granted 5,000 share options to each of the directors except for the newly appointed Chairman, Dr. Daniel Kisner, who was granted 10,000 share options. The Named Executive Officers and Board members were not granted any options at the end of 2010 as the Company wishes to maintain a balance of ungranted options for use in future periods.

Benefits on Termination of Employment of Directors

We do not have any contractual obligations arising if it terminates a director. However, historical practice has been to waive the stock options plan's post termination 30 day cancellation and extend stock options through to their original expiration date.

Long-Term Incentive Plan Awards for our Directors

We do not have any long-term incentives for our Directors other than stock options.

Pension, Retirement or Similar Benefit for our Directors

We do not have any amounts set aside or accrued to provide for pension, retirement or similar benefits for our Directors.

Directors' and Officers' Liability Insurance

We purchase annual insurance coverage for our directors' and officers' (executives') liability.

6C. Board Practices

Our Directors have served in their respective capacities since their election or appointment and will serve until our next annual general meeting or until a successor is duly elected and qualified, unless their office is earlier vacated in accordance with the Law of Canada and our articles of incorporation. Our executives serve at the discretion of the board. The following table sets information on our directors as of June 23, 2010, the date of our last Annual General Meeting:

Name	Director Since
Michael J. Abrams	May 30, 2008(1)
Arthur M. Bruskin, Ph.D.	May 1, 2008
Kenneth Galbraith	January 28, 2010
Donald G. Jewell	May 30, 2008(1)
Frank Karbe	January 28, 2010
Daniel Kisner	January 28, 2010
R. Ian Lennox	May 30, 2008(1)
Mark J. Murray Ph.D.	May 30, 2008(1)

(1) Messrs. Abrams, Jewell, Lennox and Murray were directors of Protiva before it was acquired by Tekmira on May 30, 2008.

Benefits on Termination of Employment of Directors

We do not have any contractual obligations arising if it terminates a director. However, historical practice has been to waive the stock options plan's post termination 30 day cancellation and extend stock options through to their original expiration date.

Audit Committee

The members of our Audit Committee are Mr. Karbe, Mr. Jewell and Mr. Galbraith, each of whom is a non-employee member of our Board of Directors. Mr. Karbe chairs the Audit Committee. Our Board of Directors has determined that each of the members of the Audit Committe is financially literate and have financial expertise (as is currently defined under the applicable SEC rules). Our Board of Directors has determined that each member of our Audit Committee is an independent member of our Board of Directors under the current requirements of the NASDAQ and the rules and regulations of the SEC and Canadian provincial securities regulatory authorities.

Our Audit Committee is responsible for overseeing our financial reporting processes on behalf of our Board of Directors. Our auditor and independent registered public accounting firm reports directly to our Audit Committee. Specific responsibilities of our Audit Committee include:

- overseeing the work of the auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;
- evaluating the performance, and assessing the qualifications, of our auditor and recommending to our Board of Directors the appointment of, and compensation for, our auditor for the purpose of preparing or issuing an auditor report or performing other audit, review or attest services;
- subject to the appointment of our auditor in accordance with applicable corporate formalities, determining and approving the engagement of, and compensation to be paid to, our auditor;
- determining and approving the engagement, prior to the commencement of such engagement, of, and compensation for, our auditor and to perform any proposed permissible non-audit services;
- reviewing our financial statements and management's discussion and analysis of financial condition and results of operations and recommending to our Board of Directors whether or not such financial statements and management's discussion and analysis of financial condition and results of operations should be approved by our Board of Directors;
- conferring with our auditor and with our management regarding the scope, adequacy and effectiveness of internal financial reporting controls in effect;

- establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by our employees of concerns regarding questionable accounting or auditing matters; and
- reviewing and discussing with our management and auditor, as appropriate, our guidelines and policies with respect to risk assessment and risk management, including our major financial risk exposures and investment and hedging policies and the steps taken by our management to monitor and control these exposures.

See *"Directors and Officers – Audit Committee"*, *"Directors and Officers – Pre-Approval Policies and Procedures of Non-Audit Services"* and *"Directors and Officers – External Auditor Service Fees"* in the Company's Annual Information Form for the year ended December 31, 2010 (available at www.sedar.com) for more information concerning the Audit Committee and its members.

A copy of our Audit Committee's charter is attached to our Annual Information Form for the year ended December 31, 2010 and is available at www.sedar.com.

Executive Compensation and Human Resources Committee

The members of our Executive Compensation and Human Resources Committee (the "Compensation Committee") are Mr. Lennox, Dr. Abrams and Dr. Kisner. Mr. Lennox chairs the Compensation Committee. Our Board of Directors has determined that each member of our Compensation Committee is an independent member of our Board of Directors under the current requirements of the NASDAQ and as defined in the rules and regulations of the Canadian provincial securities regulatory authorities.

Specific responsibilities of our Compensation Committee include:

- reviewing and making recommendations to our Board of Directors for our chief executive officer and other executive officers: annual base salary; annual incentive bonus, including the specific goals and amount; equity compensation; employment agreements, severance arrangements and change in control agreements/provisions; and any other benefits, compensations, compensation policies or arrangements;
- reviewing and making recommendations to our Board of Directors regarding the Company's overall compensation plans and structure, including incentive compensation and equity based plans;
- reviewing and making recommendations to our Board of Directors regarding the compensation to be paid to our non-employee directors, including any retainer, committee and committee chair fees and/or equity compensation;
- reviewing any report to be included in our periodic filings or proxy statement; and
- acting as administrator of our equity compensation plans.

We engaged a third party firm, LaneCaputo Compensation Inc., to evaluate our Named Executive Officer compensation, including base salaries, in the third quarter of 2010.

A copy of our Compensation Committee's charter is available on our website at www.tekmirapharm.com.

Corporate Governance and Nominating Committee

The members of our Corporate Governance and Nominating Committee are Mr. Galbraith, Dr. Bruskin and Dr. Kisner. Mr. Galbraith chairs the committee. Our Board of Directors has determined that each member of our Corporate Governance and Nominating Committee is an independent member of our Board of Directors under the current requirements of the NASDAQ and as defined in the rules and regulations of the Canadian provincial securities regulatory authorities.

Specific responsibilities of our Corporate Governance and Nominating Committee include:

- establishing criteria for Board membership and identifying, evaluating, reviewing and recommending qualified candidates to serve on the Board;
- evaluating, reviewing and considering the recommendation for nomination of incumbent directors for re-election to the Board;
- periodically reviewing and assessing the performance of our Board, including Board committees;
- developing and reviewing a set of corporate governance principles for Tekmira.

A copy of our Corporate Governance and Nominating Committee's charter is available on our website at www.tekmirapharm.com.

Our Board of Directors is responsible for approving nominees for election as directors. However, as is described above, our Corporate Governance and Nominating Committee is responsible for reviewing, soliciting and recommending nominees to our Board of Directors.

In evaluating prospective nominees, our Corporate Governance and Nominating Committee looks for the following minimum qualifications: strong business acumen, extensive previous experience as an executive or director with successful companies, the highest standards of integrity and ethics, and a willingness and ability to make the necessary time commitment to diligently perform the duties of a director. Nominees are selected with a view to our best interests as a whole, rather than as representative of any particular stakeholder or category of stakeholders. Our Corporate Governance and Nominating Committee will also consider the skill sets of the incumbent directors when recruiting replacements to fill vacancies in our Board of Directors. Our Board of Directors prefers a mix of experience among its members to maintain a diversity of viewpoints and ensure that our Board of Directors can achieve its objectives. When a vacancy on our Board of Directors occurs, in searching for a new director, the Corporate Governance and Nominating Committee will identify particular areas of specialization which it considers beneficial, in addition to the general qualifications, having regard to the skill sets of the other members of our Board of Directors. Potential nominees and their respective references are interviewed extensively in person by the Corporate Governance and Nominating Committee before any nomination is endorsed by that committee. All nominations proposed by the Corporate Governance and Nominating Committee must receive the approval of our Board of Directors.

Science Committee

The members of our Science Committee are Dr. Bruskin, Dr. Abrams and Dr. Kisner. Dr. Bruskin chairs the Science Committee. Our Board of Directors has determined that each member of our Science Committee is an independent member of our Board of Directors under the current requirements of the NASDAQ and as defined in the rules and regulations of the Canadian provincial securities regulatory authorities.

Specific responsibilities of our Science Committee include:

- review with management and report to the Board of Directors on the research programs of Tekmira and on relevant developments in the field of RNAi research; and
- attend meetings of any external scientific advisory groups including the Scientific Advisory Board.

A copy of our Science Committee's charter is available on our website at www.tekmirapharm.com.

6D. Employees

The number of employees as at December 31 of each of the last three fiscal years is as follows:

	2010	2009	2008
Research and development	81	74	61
General and administrative	13	11	15
Total	94	85	76

Staff numbers increased significantly in 2008 as a result of the business combination with Protiva.

None of our employees are covered by collective bargaining agreements.

6E. Share Ownership

The shareholdings and share options of our directors, secretary and executives as of April 30, 2011 are as follows:

Name and Position	Number of Common Shares	Percentage of Outstanding Common Shares Owned[1]	Number of Common Share Options	Percentage of Outstanding Common Shares Owned on a fully diluted basis[2]
Michael J. Abrams, Director	3,175	0.03%	49,367	0.44%
Arthur M. Bruskin, Ph.D., Director	400	0.00%	14,000	0.12%
Kenneth Galbraith, Director	15,240	0.15%	5,000	0.17%

Name and Position	Number of Common Shares	Percentage of Outstanding Common Shares Owned[1]	Number of Common Share Options	Percentage of Outstanding Common Shares Owned on a fully diluted basis[2]
Donald G. Jewell, Director	270,276	2.61%	10,000	2.34%
Frank Karbe, Director	—	— %	5,000	0.04%
Daniel Kisner, Director (Chairman)	—	— %	10,000	0.08%
R. Ian Lennox, Director	—	— %	10,000	0.08%
Mark J. Murray Ph.D., President, Chief Executive Officer and Director	16,633	0.16%	349,763	3.06%
Ian C. Mortimer, Executive Vice President, Finance and Chief Financial Officer	12,000	0.12%	164,000	1.47%
Ian MacLachlan, Ph.D., Executive Vice President and Chief Scientific Officer	161,534	1.56%	62,000	1.87%
Peter Lutwyche, Ph.D., Senior Vice President, Pharmaceutical Development	33,758	0.33%	34,000	0.57%
Paul Brennan, M.Sc., Senior Vice President, Business Development	5,000	0.05%	20,000	0.21%
R. Hector MacKay-Dunn, Q.C., Corporate Secretary	—	— %	—	— %
Total	518,017	5.01%	733,130	10.45%

(1) Based on 10,341,934 common shares issued and outstanding as of April 30, 2011.
(2) Based on 11,965,987 common shares on a fully diluted basis as of April 30, 2011.

Options

Details of the stock options held by our officers and directors are set forth below.

Executive Outstanding Option-based Awards

The following table sets out all option-based awards and share-based awards outstanding as of April 30, 2011, for each Named Executive Officer:

	Option-based Awards		
Name	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date
Dr. Mark Murray [1]	14,973	0.44	August 30, 2011
	27	0.44	December 19, 2011
	81	0.44	January 22, 2012
	27	0.44	June 8, 2012
	27	0.44	July 23, 2012
	8,193	0.44	July 29, 2012
	219,428	0.44	September 12, 2015
	27,007	0.44	March 1, 2018
	30,000	4.65	August 30, 2018
	25,000	1.80	December 8, 2018
	25,000	3.85	January 27, 2020
Ian C. Mortimer	3,000	7.00	December 14, 2014
	15,000	3.10	July 25, 2015
	10,000	5.40	March 28, 2016
	15,000	3.00	August 2, 2016
	10,000	6.50	August 6, 2017
	84,000	5.60	March 31, 2018
	11,000	1.80	December 8, 2018
	16,000	3.85	January 27, 2020
Dr. Ian MacLachlan	30,000	4.65	August 30, 2018
	16,000	1.80	December 8, 2018
	16,000	3.85	January 27, 2020

Name	Option-based Awards: Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date
Dr. Peter Lutwyche	18,000	1.80	December 8, 2018
	16,000	3.85	January 27, 2020
Paul A. Brennan	20,000	8.20	September 6, 2020

Notes:

(1) Dr. Murray holds options to purchase 399,551 common shares of Protiva, a wholly-owned subsidiary of Tekmira, with an exercise price of $0.30. As part of the business combination between Tekmira and Protiva, Tekmira agreed to issue 269,763 common shares of Tekmira on the exercise of these stock options giving an effective cost per Tekmira stock option of $0.44. The shares reserved for issue on the exercise of the Protiva options are equal to the number of Tekmira common shares that would have been issued if the options had been exercised before the completion of the business combination and the shares issued on exercise of the options had then been exchanged for Tekmira common shares. See “Securities Authorized for Issuance Under Equity Compensation Plans – Additional Shares Subject to Issue”.

Director Outstanding Option-based Awards

The following table sets out all option-based awards and share-based awards outstanding as of April 30, 2011, for each director:

Name	Option-Based Awards: Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date
Daniel Kisner	10,000	3.85	January 27, 2020
Don Jewell	5,000	1.80	December 8, 2018
	5,000	3.85	January 27, 2020
Frank Karbe	5,000	3.85	January 27, 2020
Kenneth Galbraith	5,000	3.85	January 27, 2020
R. Ian Lennox	5,000	1.80	December 8, 2018
	5,000	3.85	January 27, 2020
Michael J. Abrams (1)	675	0.44	January 22, 2012
	675	0.44	January 21, 2013
	675	0.44	January 21, 2014
	675	0.44	January 22, 2015
	17,044	0.44	September 12, 2015
	5,445	0.44	December 31, 2015
	675	0.44	April 3, 2017
	13,503	0.44	May 27, 2017
	5,000	1.80	December 8, 2018
	5,000	3.85	January 27, 2020
Arthur M. Bruskin	4,000	5.60	March 31, 2018
	5,000	1.80	December 8, 2018
	5,000	3.85	January 27, 2020
James W. Hudson (2)	1,500	7.00	December 14, 2014
	2,500	5.40	March 28, 2016
	5,000	3.00	August 2, 2016
	5,000	6.50	August 6, 2017
	9,000	5.60	March 31, 2018
	5,000	1.80	December 8, 2018
	5,000	3.85	January 27, 2020
Gary E. Frashier (2)	1,500	7.00	December 14, 2014
	2,500	5.40	March 28, 2016
	5,000	3.00	August 2, 2016
	5,000	6.50	August 6, 2017
	9,000	5.60	March 31, 2018
	5,000	1.80	December 8, 2018
	5,000	3.85	January 27, 2020

	Option-Based Awards		
Name	Number of securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date
K. Michael Forrest (3)	1,500	7.00	December 14, 2014
	2,500	5.40	March 28, 2016
	5,000	3.00	August 2, 2016
	5,000	6.80	August 6, 2017
	12,000	5.60	March 31, 2018
	5,000	1.80	December 8, 2018

Notes:

(1) All of Dr. Abrams's options with an exercise price of $0.44 were granted to Dr. Abrams as a Director of Protiva. The shares reserved for these options are equal to the number of Tekmira common shares that would have been received if the options had been exercised prior to the business combination and subsequently exchanged for Tekmira common shares such that Dr. Abrams will receive Tekmira common share upon exercise of these options.
(2) Messrs. Hudson and Frashier resigned as directors on June 23, 2010, the date of the last Annual General Meeting.
(3) Mr. Forrest resigned as a director on January 28, 2010.

Director options are priced at the closing market price of the previous trading day and vest immediately upon granting. The Company typically grants options to directors at the time of their first appointment to the Board and then on an annual basis at the end of the fiscal year. The Company was in a share trading black-out at the end of 2009 so was not able to grant share options at the end of the fiscal year. In January 2010, once the share trading black-out had been lifted, the Company granted 5,000 share options to each of the directors except for the newly appointed Chairman, Dr. Daniel Kisner, who was granted 10,000 share options. The Named Executive Officers and Board members were not granted any options at the end of 2010 as the Company wishes to maintain a balance of ungranted options for use in future periods

ITEM 7 MAJOR SHAREHOLDER AND RELATED PARTY TRANSACTIONS

7A. Major Shareholders

Major Shareholders

We are a publicly-held corporation, with our shares held by residents of the United States, Canada and other countries. As a reporting issuer under the securities laws of the Provinces of Canada, only insiders (generally officers, directors and holders of 10% or more of our shares) are required to file reports disclosing their ownership of securities of Tekmira. Based on a review of publicly available information in Canada, as of April 30, 2011 no person, corporation or other entity beneficially owns, directly or indirectly, or controls more than 5% of our common shares, except as follows:

Name and Municipality of Residence	Number of Common Shares Owned(1)	Percentage(2)
Growth Works Capital Ltd. & Affiliates., Vancouver, British Columbia	1,404,421	13.6%
Totals:	1,404,421	13.6%

(1) For these purposes, beneficial ownership means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security. Unless otherwise indicated, each shareholder listed has sole voting or dispositive power with respect to such common shares.
(2) Based on 10,341,934 common shares issued and outstanding as of April 30, 2011.

Each of our common shares entitles the holder thereof to one vote.

Geographic Breakdown of Shareholders

As of April 14, 2011, our shareholder register indicates that our common shares are held as follows:

Location	Number of Shares	Percentage of Total Shares	Number of Registered Shareholders of Record
Canada	9,905,842	95.8%	97
United States	432,055	4.2%	8
Other	809	0.0%	21
Total	**10,338,706**	**100%**	**126**

Our securities are recorded in registered form on the books of our transfer agent, Canadian Stock Transfer Company Inc. (formerly CIBC Mellon Trust Company of Canada), located at 1600-1066 West Hastings Street, Vancouver, BC V6E 3X1. However, the majority of such shares are registered in the name of intermediaries such as brokerage houses and clearing houses (on behalf of their respective brokerage clients). We do not have knowledge or access to the identities of the beneficial owners of such shares registered through intermediaries.

Shares registered in intermediaries were assumed to be held by residents of the same country in which the clearing house was located.

Control

To the best of our knowledge, we are not directly or indirectly owned or controlled by any other corporation, by any foreign government or by any other natural or legal person, severally or jointly. To the best of our knowledge, there are no arrangements currently in place which may at a subsequent date result in a change in control of Tekmira.

Insider Reports under the Securities Act (British Columbia)

Under the policies promulgated under the Securities Act (British Columbia), insiders (generally officers, directors and holders of 10% or more of our shares) are required to file insider reports of changes in their ownership within 5 days following a trade in our securities. Insider reports must be filed electronically within the deadline outlined above, and the public is able to access these reports at www.sedi.ca.

7B. Related Party Transactions

No director or executive of Tekmira, and no associate or affiliate of the foregoing persons, and no insider has or has had any material interest, direct or indirect, in any transactions, or in any proposed transaction, which in either such case has materially affected or will materially affect us or our predecessors since January 1, 2010.

7C. Interests of Experts and Counsel

Not applicable.

ITEM 8 FINANCIAL INFORMATION

8A. Consolidated Statements and Other Financial Information

Financial Statements

The financial statements required as part of this Annual Report are filed under Item 18 of this Annual Report.

Legal Proceedings

On March 16, 2011, we filed a complaint against Alnylam for misappropriation and misuse of trade secrets, know-how and other confidential information, unfair and deceptive trade practices, unjust enrichment, unfair competition and false advertising. The suit, filed in the Business Litigation Session of the Massachusetts Superior Court, alleges Alnylam exploited its confidential relationship with us as a collaborator to engage in inappropriate and harmful conduct concerning our proprietary LNP technology, resulting in damage to our intellectual property and business interests.

On April 6, 2011, Alnylam filed an answer to our complaint denying our claims and filed a counterclaim asserting breach of contract, defamation, breach of covenant not to sue and breach of patent prosecution and non-use provisions. Alnylam is seeking dismissal of our claim as well as damages and equitable relief.

On June 3, 2011, we filed an amended complaint against Alnylam. Our amended complaint adds new claims alleging breach of contract, breach of the implied covenant of good faith and fair dealing, tortious interference with contractual relationships, and civil conspiracy. The amended complaint also adds AlCana Technologies, Inc. (Alcana) as a defendant and asserts claims alleging misappropriation of trade secrets, tortious interference with contractual relations, unjust enrichment, unfair and deceptive acts and trade practices, and civil conspiracy against AlCana. We are seeking damages based on Alnylam's conduct as alleged in the amended complaint including termination of Alnylam's license to our technology.

Dividends

We have not paid any dividends on our common shares since incorporation and do not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at our board of directors' discretion after taking into account many factors including our operating results, financial condition and current and anticipated cash needs.

8B. Significant Changes

We have not experienced any significant changes since December 31, 2010.

ITEM 9 THE OFFER AND LISTING

Common Shares

On November 2, 2010 we completed a 5-to-1 consolidation of our Common Shares. Each 5 Common Shares were consolidated to represent 1 Common Share as of such date with fractional shares rounded down to the nearest whole share. Issued and outstanding stock options were consolidated on a 5-to-1 basis and exercise prices were adjusted to give effect to the consolidation. All Common Share, Common Share price, stock option, per share and exercise price data set forth in this prospectus have been adjusted to give retroactive effect to our 5-to-1 share consolidation. For the purpose of giving retroactive effect to the proposed Common Share Consolidation, we have rounded fractional shares to the nearest whole share and rounded fractional dollar information to the nearest whole number with fractions of 0.5 or greater rounded up and fractions less than 0.5 rounded down. Actual amounts may differ.

Our authorized share capital consists of an unlimited number of Common shares without par value, of which 10,338,703 were issued and outstanding as at February 28, 2011, and an unlimited number of Preferred shares without par value of which none were issued and outstanding as at February 28, 2011. In addition, we have outstanding certain incentive options to purchase Common shares as noted in Item 6.B. Compensation of this Annual Report.

9A. Offer and Listing Details

Trading Markets

Our common shares are traded on the Toronto Stock Exchange in the Canada under the symbol “TKM”. The following table shows the progression in the high and low trading prices of our common shares on the Toronto Stock Exchange for the periods listed:

	High[1] (CDN$)	Low[1] (CDN$)
Annual (fiscal year)		
2010	9.75	3.45
2009	7.45	2.25
2008	7.25	1.40
2007	19.90	3.30
2006	7.20	1.30
2005	10.90	1.10
Quarterly		
Fiscal 2010		
Fourth Quarter	8.75	5.60
Third Quarter	9.75	5.95
Second Quarter	9.20	4.30
First Quarter	4.80	3.45
Fiscal 2009		
Fourth Quarter	5.90	4.00
Third Quarter	6.00	4.50
Second Quarter	7.45	3.20
First Quarter	3.70	2.25
Fiscal 2008		
Fourth Quarter	3.55	1.40
Third Quarter	5.30	3.30
Second Quarter	7.25	4.50
First Quarter	7.25	3.25
Monthly		
May 2011	3.30	2.60
April 2011	3.25	2.56
March 2011	4.95	2.90
February 2011	6.15	4.80
January 2011	7.64	4.50
December 2010	5.26	4.39

(1) Our common shares were consolidated on April 30, 2007, on a basis of two common shares for one new common share. On November 2, 2010 we completed a 5 -to- 1 consolidation of our Common Shares in order to meet requirements for trading on the NASDAQ Capital Market. Annual trading information in the table has been restated to reflect these share consolidations on a retroactive basis.

On November 15, 2010, our common shares began to trade on the NASDAQ Capital Market under the symbol “TKMR”. This listing is in addition to our listing on the Toronto Stock Exchange under the symbol “TKM”.

The following table sets forth the reported high and low prices in US dollars and the average volume of trading of our common shares on the NASDAQ for the months shown:

Month	High	Low
December, 2010	$6.25	$4.48

Month	High	Low
January, 2011	$7.94	$4.50
February, 2011	$6.26	$4.50
March 2011	$5.04	$2.94
April 2011	$3.25	$2.69
May 2011	$3.40	$2.69

9B. Plan of Distribution

Not applicable.

9C. Markets

Our common shares trade on Toronto Stock Exchange under the symbol “TKM” and, since November 15, 2010, on the NASDAQ Capital Market under the symbol “TKMR”.

9D. Selling Shareholders

Not applicable.

9E. Dilution

Not applicable.

9F. Expenses of the Issue

Not applicable.

ITEM 10 ADDITIONAL INFORMATION

10A. Share Capital

Not applicable.

10B. Notice of Articles and Articles

The following is a summary of certain material provisions of our Notice of Articles and Articles and material provisions of the BCBCA that apply to us:

1. Objects and Purposes

Our Notice of Articles and Articles do not specify objects or purposes. We are entitled under the BCBCA to carry on all lawful businesses which can be carried on by a natural person.

2. Directors

Director and senior officer’s power to vote on a proposal, arrangement or contract in which the director or senior officer is interested.

Our Articles state that a director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with his or her duty or interest as a director or senior officer must disclose the nature and extent of the conflict in accordance with the provisions of the Act. A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposed to enter is not entitled to vote on any directors’ resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.

According to the BCBCA, a director or senior officer does not hold a disclosable interest in a contract or transaction merely because:

(i) the contract or transaction is an arrangement by way of security granted by us for money loaned to, or obligations undertaken by, the director or senior officer, or a person in whom the director or senior officer has a material interest, for the benefit of us or an affiliate of ours;

(ii) the contract or transaction relates to an indemnity or insurance of officers and directors under the Act;

(iii) the contract or transaction relates to the remuneration of the director or senior officer in that person’s capacity as director, officer, employee or agent of the Company or an affiliate of ours;

(iv) the contract or transaction relates to a loan to us, and the director or senior officer or a person in whom the director or senior officer has a material interest, is or is to be a guarantor of some or all of the loan; or

(v) the contract or transaction has been or will be made with or for the benefit of a corporation that is affiliated with us and the director or senior officer is also a director or senior officer of that corporation or an affiliate of that corporation.

Directors' power to vote compensation to themselves.

Our Articles provide that the directors are entitled to remuneration for acting as directors, if any, as the directors may determine from time to time.

Borrowing powers exercisable by the directors.

Under our Articles, our board may:

1. borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that the directors consider appropriate;
2. issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as the directors consider appropriate;
3. guarantee the repayment of money by any other person or the performance of any obligation of any other person; and
4. mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

Retirement and non-retirement of directors under an age limit requirement.

There are no such provisions applicable to us under our Articles or the BCBCA.

Number of shares required for a director's qualification.

Directors need not own any of our shares in order to qualify as directors.

3. Rights, Preferences and Restrictions Attaching to Each Class of Shares

Dividends

Dividends may be declared by our Board and paid to our shareholders according to their respective rights and interests in us. The BCBCA provides that dividends may not be declared or paid if there are reasonable grounds for believing that the Company is insolvent, or the payment of the dividend would render the Company insolvent.

Voting Rights

Each of our shares is entitled to one vote on matters to which common shares ordinarily vote including the annual election of directors, the appointment of auditors and the approval of corporate changes. Our directors are elected yearly to hold office until the close of the next annual meeting of shareholders. Where directors fail to be elected at any such meeting then the incumbent directors will continue in office until their successors are elected or they cease to hold office under the Act or our Articles. We do not permit cumulative voting rights.

Rights to Profits and Liquidation Rights

All of our common shares participate rateably in any of our net profit or loss and shares participate rateably in any of our available assets in the event of a winding up or other liquidation.

Redemption

We currently have no redeemable securities authorized or issued.

Sinking Fund Provisions

We have no sinking fund provisions or similar obligations.

Shares Fully Paid

All of our shares must, by applicable law, be issued as fully paid for cash, property or services. They are therefore non-assessable and not subject to further calls for payment.

Pre-emptive Rights

There is nothing in our Notice of Articles or Articles, or the BCBCA, which grants shareholders with any pre-emptive rights to participate in any equity or other securities offering. We have granted certain contractual pre-emptive rights described earlier in this Item under "*Share Capital*".

With respect to the rights, preferences and restrictions attaching to our common shares, there are generally no significant differences between Canadian and United States law as the shareholders, or the applicable corporate statute, will determine the rights, preferences and restrictions attaching to each class of our shares.

4. Special Rights and Restrictions to Shares

Subject to the Act, our Articles provide that we may, by ordinary resolution of our shareholders:

(a) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; or

(b) vary or delete any special rights or restrictions attached to those shares of any class or series of shares, whether or not any or all of those shares have been issued, and alter our Notice of Articles and Articles accordingly.

Generally, there are no significant differences between Canadian and United States law with respect to changing the rights of shareholders as most state corporation statutes require shareholder approval (usually a majority) for any such changes that affect the rights of shareholders.

5. Meetings of Shareholders

Our Articles provide that we must hold our annual general meeting at least once in each calendar year and not more than 15 months from our last annual general meeting. Our Board also has the power to call special meetings. Our Articles provide that in addition to any location in British Columbia, any shareholder meeting may be held in a location outside British Columbia approved by a resolution of the directors. Shareholder meetings are governed by our Articles, but many important shareholder protections are also contained in provincial securities legislation and the BCBCA. Our Articles provide that we provide at least 21 days notice of a shareholder meeting. Our directors may fix in advance a date, which is no fewer than 21 days prior to the date of the meeting for the purpose of determining shareholders entitled to receive notice of and to attend and vote at a general meeting.

The provincial securities legislation and the BCBCA superimpose requirements that generally provide that shareholder meetings require notice in excess of 50 days prior to the date of the meeting, and that we make a thorough advanced search of intermediary and brokerage registered shareholdings to facilitate communication with beneficial shareholders so that meeting materials (including proxies) can be sent via to our beneficial shareholders. The form and content of information circulars, proxies and like matters are governed by provincial securities legislation. This legislation specifies the disclosure requirements for the proxy materials and various corporate actions, background information on the nominees for election for director, executive compensation paid in the previous year and full details of any unusual matters or related party transactions. We must hold an annual shareholders meeting open to all shareholders for personal attendance or by proxy at each shareholder's determination.

Most state corporation statutes in the United States require a public company to hold an annual meeting for the election of directors and for the consideration of other appropriate matters. The state statutes also include general provisions relating to shareholder voting and meetings. Apart from the timing of when an annual meeting must be held and the percentage of shareholders required to call an annual meeting, or an extraordinary meeting, there are generally no material differences between Canadian and United States law respecting annual meetings and extraordinary meetings.

6. Rights to Own Securities

There are no limitations under our Notice of Articles and Articles, or in the BCBCA that address the right of persons who are not citizens of Canada to hold or vote common shares. Certain provisions of the Investment Canada Act (Canada), or the Investment Act, may affect the ability of a non-resident to hold or vote our common shares.

The following discussion summarizes the principal features of the Investment Act for a non-resident who proposes to acquire our common shares. It is general only, it is not a substitute for independent legal advice from an investor's own advisor, and it does not anticipate statutory or regulatory amendments.

The *Investment Canada Act* is legislation of general application which regulates investments in Canadian businesses by non-Canadians. The Act is enforced by Industry Canada, other than an acquisition of a cultural business which is enforced by the Department of Canadian Heritage. The Act requires that non-Canadians notify Investment Canada regarding the acquisition of Canadian businesses. In addition, certain investments are subject to review and may not be proceeded with until the responsible Minister has determined that the investment will be a net benefit to Canada.

Under the Act, investments are reviewable if the investor is directly acquiring assets of a Canadian business with a value of $5 million or more or indirectly acquiring assets of a Canadian business with a value of $50 million or more. This monetary threshold is increased for "WTO investors" (meaning investors that are controlled by persons who are residents of

WTO member countries). The current threshold for WTO investors is $299 million and is indexed to inflation. Under recent amendments to the Act, the review thresholds for WTO Investors will be increased in three stages from $600 million to $1 billion and be annually adjusted thereafter.

A party to a reviewable transaction must provide certain prescribed information to Investment Canada. The responsible Minister has 45 days from receipt of the information to complete the review and may elect to extend this period by an additional 30 days. A party to a non-reviewable transaction must provide notice of the transaction and certain prescribed information to Investment Canada which can be provided within 30 days after completion of a transaction.

The responsible Minister is required to assess a number of factors to determine if an investment will be a "net benefit to Canada". These factors include economic activity in Canada, employment, exports, participation by Canadians in the business, productivity, technological development, national policies, competition in Canada and Canada's ability to compete in world markets.

Certain transactions in relation to our common shares would be exempt from review from the Investment Act, including:

- acquisition of our common shares by a person in the ordinary course of that person's business as a trader or dealer in securities;
- acquisition or control of us in connection with the realization of security granted for a loan or other financial assistance and not for any purpose related to the provisions of the Investment Act; and
- acquisition or control of us by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of us, through the ownership of voting interests, remains unchanged.

7. Restrictions on Changes in Control, Mergers, Acquisitions or Corporate Restructuring of Us

We have not implemented any shareholders' rights or other "poison pill" protections against possible take-overs and we do not have any agreements which are triggered by a take-over or other change of control. There are no provisions in our Articles triggered by or affected by a change in outstanding shares which gives rise to a change in control.

The BCBCA does not contain any provision that would have the effect of delaying, deferring or preventing a change of control of a company.

Generally, there are no significant differences between Canadian and United States law in this regard, as many state corporation statutes also do not contain such provisions and only empower a company's board of directors to adopt such provisions.

8. Ownership Threshold Requiring Public Disclosure

Neither our Notice of Articles or Articles require disclosure of share ownership. Share ownership of director nominees must be reported annually in proxy materials sent to our shareholders. There are no requirements under Canadian corporate law to report ownership of shares but the provincial securities legislation currently requires insiders (generally officers, directors and holders of 10% of voting shares) to file insider reports of changes in their ownership within 10 days following a trade in our securities. As a result of recent changes to the policies promulgated under the Securities Act (British Columbia), insiders will be required to file insider reports of changes in their ownership within 5 days following a trade in our securities that occurs after October 31, 2010. Insider reports must be filed electronically within the deadlines outlined above, and the public is able to access these reports at www.sedi.ca. Shareholders acquiring 10% or more of the voting securities of a reporting issuer are required to file a publicly available "early warning report", and update such report upon further acquisitions exceeding certain thresholds, up to 20% ownership, at which time such acquirer will generally be subject to Canadian takeover bid rules.

Most state corporation statutes do not contain provisions governing the threshold above which shareholder ownership must be disclosed. United States federal securities laws require a company that is subject to the reporting requirements of the Securities Exchange Act of 1934 to disclose, in its annual reports filed with the Securities and Exchange Commission those shareholders who own more than 5% of a corporation's issued and outstanding shares.

9. Differences in Law between the U.S. and Canada

Differences in the law between the United States and Canada, where applicable, have been explained above within each category.

10. Changes in Our Capital

There are no conditions imposed by our Articles which are more stringent than those required by the BCBCA.

10C. Material Contracts

The material contracts, other than contracts entered into in the ordinary course of business, which we entered into during the last two years are as follows:

- The agreement with U.S. Government to develop TKM-Ebola described under Item 4.B. "*Business Overview—Internal Product Development—TKM-Ebola*";
- The Manufacturing Agreement with Alnylam described under Item 4.B. "*Business Overview—Partnerships and Collaborations*";
- The Product Development Agreement with Roche described under Item 4.B. "*Business Overview—Partnerships and Collaborations*"; and
- The Amendment No. 1 to the Amended and Restated Agreement, between us (formerly Inex Pharmaceuticals Corporation) and Hana Biosciences, Inc. described under Item 4.B. "*Business Overview—Partnerships and Collaborations.*"
- The Amendment No. 2 to the Amended and Restated Agreement, between us (formerly Inex Pharmaceuticals Corporation) and Hana Biosciences, Inc. described under Item 4.B. "*Business Overview—Partnerships and Collaborations.*"

10D. Exchange Controls

There is no law or governmental decree or regulation in Canada that restricts the export or import of capital, or affects the remittance of dividends, interest or other payments to a non-resident holder of our common shares, other than withholding tax requirements. See Item 10.E. "*Taxation.*"

10E. Taxation

Material Canadian Federal Income Tax Consequences for United States Residents

The following summarizes the material Canadian federal income tax consequences generally applicable to the holding and disposition of our shares by a holder (in this summary, a U.S. holder), who, (a) for the purposes of the Income Tax Act (Canada), or the Tax Act, and at all relevant times, is not resident in Canada, deals at arm's length with us, is not affiliated with us, holds our shares as capital property and does not use or hold and is not deemed to use or hold our shares in the course of carrying on, or otherwise in connection with, a business in Canada, and (b) for the purposes of the Canada-United States Income Tax Convention, 1980, or the Treaty, and at all relevant times, is a resident of the U.S. This summary does not apply to traders or dealers in securities, limited liability companies, tax-exempt entities, insurers, financial institutions (including those to which the mark-to-market provisions of the Tax Act apply), or any other holder in special circumstances.

This summary is based on the current provisions of the Tax Act including all regulations thereunder, the Treaty, all proposed amendments to the Tax Act, the regulations and the Treaty publicly announced by the Government of Canada to the date hereof, and our understanding of the current administrative practice of the Canada Revenue Agency. It has been assumed that all currently proposed amendments will be enacted as proposed and that there will be no other relevant change in any governing law or administrative practice, although no assurances can be given in these respects. The summary does not take into account Canadian provincial, U.S. federal (which follows further below), state or other foreign income tax law or practice. **The tax consequences to any particular U.S. holder will vary according to the status of that holder as an individual, trust, corporation, partnership or other entity, the jurisdictions in which that holder is subject to taxation, and generally according to that holder's particular circumstances. Accordingly, this summary is not, and is not to be construed as, Canadian tax advice to any particular U.S. holder. All U.S. holders are advised to consult with their own tax advisors regarding their particular circumstances. The discussion below is qualified accordingly.**

Dividends

Dividends paid or deemed to be paid to a U.S. holder by us will be subject to Canadian withholding tax. The Tax Act requires a 25% withholding unless reduced under a tax treaty. Under the Treaty, the rate of withholding tax on dividends paid to a U.S. holder that is the beneficial owner of such dividends is generally limited to 15% of the gross amount of the dividend (or 5% if the U.S. holder is a corporation and beneficially owns at least 10% of our voting shares). We will be required to withhold the applicable withholding tax from any dividend and remit it to the Canadian government for the U.S. holder's account.

Disposition

For purposes of the following discussion, we have assumed that our shares will remain listed on the Toronto Stock Exchange. A U.S. holder is not subject to tax under the Tax Act in respect of a capital gain realized on the disposition of our shares in the open market unless the shares are "taxable Canadian property" to the holder thereof and the U.S. holder is not entitled to relief under the Treaty. Our shares will be taxable Canadian property to a U.S. holder (a) if, at any time during the 60 months preceding the disposition, the U.S. holder or persons with whom the U.S. holder did not deal at arm's length alone or together owned 25% or more of our issued shares of any class or series, and more than 50% of the fair market value of the shares was derived directly or indirectly from any one or combination of (i) real or immovable property situated in Canada,

(ii) Canadian resource properties, (iii) timer resource properties, and (iv) options in respect of, or interests in, or for civil rights law rights in, property described in any of (i) to (iii), whether or not that property exists. Notwithstanding the foregoing, in other specific circumstances, including where shares were acquired for other securities in a tax-deferred transaction, our shares could be deemed to be taxable Canadian property.

If our shares constitute taxable Canadian property to the holder, the holder will (unless relieved under the Treaty) be subject to Canadian income tax on any gain. The taxpayer's capital gain or loss from a disposition of the share is the amount, if any, by which the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base and reasonable expenses of disposition. One-half of the capital gain is included in income and one-half of the capital loss is deductible from capital gains realized in the same year. Unused capital losses may be carried back three taxation years or forward indefinitely and applied to reduce capital gains realized in those years.

A U.S. holder whose shares do constitute taxable Canadian property should consult with the holder's own tax advisors regarding any possible relief (if any) from Canadian tax under the Treaty based on applicable circumstances at the relevant time. Such Treaty relief should not be anticipated under current circumstances.

United States Tax Consequences

United States Federal Income Tax Consequences

The following is a discussion of certain material United States federal income tax consequences, under current law, generally applicable to a U.S. holder (as described below) of our common shares. This discussion does not address all potentially relevant federal income tax matters and it does not address consequences peculiar to persons subject to special provisions of federal income tax law, such as those described below as excluded from the definition of a U.S. holder. In addition, this discussion does not cover any state, local or foreign tax consequences or estate and gift tax consequences. (See Item 10.E. "*Taxation—Material Canadian Federal Income Tax Consequences for United States Residents*" above). Accordingly, we urge holders and prospective holders of our common shares to consult their own tax advisors about the specific federal, state, local and foreign tax consequences to them of purchasing, owning and disposing of our common shares, based upon their individual circumstances.

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended, or the Code, Treasury Regulations, published Internal Revenue Service, or the IRS, rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time and which are subject to differing interpretations. This discussion does not consider the potential effects, both adverse and beneficial, of any proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time.

U.S. holders

As used herein, a U.S. holder means a beneficial owner of our common shares who is a citizen or individual resident of the United States, a corporation created or organized in or under the laws of the United States or of any political subdivision thereof, an entity created or organized in or under the laws of the United States or of any political subdivision thereof which has elected to be treated as a corporation for United States federal income tax purposes (under Treasury Regulation Section 301.7701-3), an estate whose income is taxable in the United States irrespective of source or a trust that is either (a) subject to the primary supervision of a court within the United States and one or more a United States fiduciaries as described in Section 7701(a)(30) of the Code have the authority to control all substantial decisions of the trust, or (b) the trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person. A non-U.S. holder means a beneficial owner of common shares that is, for U.S. federal income tax purposes, a nonresident alien or a corporation, estate or trust that is not a U.S. holder. If a partnership or other passthrough entity is the holder of our common stock, the tax treatment of a partner in a partnership or an owner of the passthrough entity will depend upon the status of the partner or the owner and the activities of the partnership or the entity. If you are a partner in a partnership or an owner of a passthrough entity holding our common stock, you should consult a tax advisor.

This summary does not address the tax consequences to, and U.S. holder does not include, persons subject to specific provisions of federal income tax law, such as tax-exempt organizations, qualified retirement plans, individual retirement accounts and other tax-deferred accounts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals, persons or entities that have a "functional currency" other than the U.S. dollar, shareholders subject to the alternative minimum tax, shareholders who hold common shares as part of a straddle, hedging or conversion transaction, and shareholders who acquired their common shares through the exercise of employee stock options or otherwise as compensation for services. This summary is limited to U.S. holders who own our common shares as capital assets and who own (directly and indirectly, pursuant to applicable rules of constructive ownership) no more than 5% of the value of our total outstanding stock. This summary does not address the consequences to a person or entity holding an interest in a shareholder or the consequences to a person of the ownership, exercise or disposition of any options, warrants or other rights to acquire common shares. In addition, this summary does not address special rules applicable to United States persons (as defined in Section 7701(a)(30) of the Code) holding common shares through a foreign partnership or to foreign persons holding common shares through a domestic partnership.

Distribution on Our Common Shares

In general, U.S. holders receiving dividend distributions (including constructive dividends) with respect to our common shares are required to include in gross income for United States federal income tax purposes the gross amount of such distributions, equal to the U.S. dollar value of such distributions on the date of receipt (based on the exchange rate on such date), to the extent that we have current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. holder's federal income tax liability or, alternatively, may be deducted in computing the U.S. holder's federal taxable income by those who itemize deductions. (See more detailed discussion at Item 10.E. "*Taxation—Foreign Tax Credit*" below). To the extent that distributions exceed our current or accumulated earnings and profits, they will be treated first as a return of capital up to the U.S. holder's adjusted basis in the common shares and thereafter as gain from the sale or exchange of property.

For taxable years beginning before January 1, 2011, a dividend paid by us generally will be taxed at the preferential tax rates applicable to long-term capital gains if (a) we are a qualified foreign corporation, (b) the U.S. holder receiving such dividend is an individual, estate, or trust, and (c) such dividend is paid on our common shares that have been held by such U.S. holder for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date. There are currently no preferential tax rates for long-term capital gains for a U.S. holder which is a corporation. A qualified foreign corporation includes certain foreign corporations that are eligible for benefits of a comprehensive income tax treaty with the United States which the Secretary of the Treasury determines is satisfactory for purposes of this provision and which includes an exchange of information program. In addition, a foreign corporation not otherwise treated as a qualified foreign corporation is so treated with respect to any dividend it pays if the stock with respect to which it pays such dividend is readily tradable on an established securities market in the United States. However, we will not be treated as a qualified foreign corporation if we are a passive foreign investment company for the taxable year during which we pay a dividend or for the preceding taxable year. As discussed below, in 2008 and certain prior years we were classified for United States income tax purposes as a passive foreign investment company (See Item 10.E. "*Taxation—Passive Foreign Investment Company*," below).

In the case of foreign currency received as a dividend that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Generally any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss. Dividends paid on our common shares generally will not be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations. A U.S. holder which is a corporation and which owns shares representing at least 10% of our voting power and value may, under certain circumstances, be entitled to a 70% (or 80% if the U.S. holder owns shares representing at least 20% of our voting power and value) deduction of the United States source portion of dividends received from us (unless we qualify as a passive foreign investment company, as discussed below). We do not anticipate that we will earn any United States income, however, and therefore we do not anticipate that any U.S. holder will be eligible for the dividends received deduction.

Dividends paid on our common shares, if any, and the proceeds from a sale of our common shares paid in the U.S. through a U.S. or U.S. related paying agent (including a broker) will be subject to U.S. information reporting requirements and may also be subject to the U.S. backup withholding tax at the rate of 28% (which rate is scheduled to increase to 31% after 2010), unless the paying agent is furnished with a duly completed and signed Form W-9. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a refund or a credit against the U.S. holder's U.S. federal income tax liability, provided the required information is furnished to the IRS.

Foreign Tax Credit

A U.S. holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of our common shares may be entitled, at the option of the U.S. holder, to either receive a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and generally applies to all foreign taxes paid by (or withheld from) the U.S. holder during that year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. holder's United States income tax liability that the U.S. holder's foreign source income bears to his or its worldwide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to specific classes of income such as "passive income," and "general income". Dividends distributed by us will generally constitute "passive income". The availability of the foreign tax credit and the application of the limitations on the credit are fact specific, and U.S. holders of our common shares should consult their own tax advisors regarding their individual circumstances.

Disposition of Our Common Shares

In general, U.S. holders will recognize gain or loss upon the sale, exchange or other disposition of our common shares (including a liquidation, dissolution or as a result of a non-pro rata redemption of Common Shares that qualified for treatment as a sale or exchange for United States federal income tax purposes) equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the shareholder's tax basis in our common shares. Preferential tax rates apply to long-term capital gains of U.S. holders which are individuals, estates or trusts. In general, gain or loss on the sale of our common shares will be long-term capital gain or loss if the common shares are a capital asset in the hands of the U.S. holder and are held for more than one year. Deductions for net capital losses are subject to significant limitations. U.S. holders that are individuals may deduct capital losses to the extent of capital gains plus up to $3,000 ($1,500 for married individuals filing separate returns) and may carry forward capital losses indefinitely. For U.S. holders that are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

Other Considerations

Set forth below are certain material exceptions to the above-described general rules describing the United States federal income tax consequences resulting from the holding and disposition of common shares:

Passive Foreign Investment Company

We believe we were classified for United States income tax purposes as a passive foreign investment company, or PFIC, for the fiscal year ended December 31, 2008, and for certain prior fiscal years. We do not believe we are classified as a PFIC for the fiscal year ended December 31, 2009. In addition, we do not expect to be classified as a PFIC for the fiscal year ending December 31, 2010 or other future fiscal years, although we cannot be certain of this at this time as we have not requested or received an opinion from our U.S. tax advisor as to whether this is true. Each of our U.S. holders is urged to consult a tax advisor with respect to how the PFIC rules affect such U.S. holder's tax situation. Each of our U.S. holders who hold stock in a foreign corporation during any year in which such corporation qualifies as a PFIC is subject to United States federal income taxation under one of three alternative tax regimes at the election of such U.S. holder. The following is a discussion of such alternative tax regimes applied to such U.S. holders of our stock. In addition, special rules apply if a foreign corporation qualifies as both a PFIC and a controlled foreign corporation, as discussed below, and a U.S. holder owns, actually or constructively, 10% or more of the total combined voting power of all classes of stock entitled to vote of such foreign corporation (See more detailed discussion at Item 10.E. "*Taxation—Controlled Foreign Corporation*" below).

United States income tax law contains rules governing PFICs, which can have significant tax effects on U.S. holders of foreign corporations. These rules do not apply to non-U.S. holders. Section 1297 of the Code defines a PFIC as a corporation that is not formed in the United States if, for any taxable year, either (i) 75% or more of its gross income is "passive income," which includes interest, dividends and certain rents and royalties or (ii) the average quarterly fair market value (or, if the corporation is not publicly traded and either is a controlled foreign corporation or makes an election, by adjusted tax basis), of its assets that produce or are held for the production of "passive income" is 50% or more. For purposes of the above tests, we will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock. For purposes of the second test: (a) any cash and cash invested in short-term, interest bearing, debt instruments, or bank deposits that are readily convertible into cash will generally count as producing passive income or held for the production of passive income, and (b) the total value of our assets is calculated based on our market capitalization.

A U.S. holder who elects to treat us as a qualified electing fund, or QEF, will be subject, under Section 1293 of the Code, to current federal income tax for any taxable year to which the election applies in which we qualify as a PFIC on his pro rata share of our (i) "net capital gain" (the excess of net long-term capital gain over net short-term capital loss), which will be taxed as long-term capital gain, and (ii) "ordinary earnings" (the excess of earnings and profits over net capital gain), which will be taxed as ordinary income, in each case, for the shareholder's taxable year in which (or with which) our taxable year ends, regardless of whether such amounts are actually distributed. This means you could have a tax liability for the earnings or gain without a corresponding receipt of cash. A U.S. holder's tax basis in the common shares will be increased by any such amount that is included in income but not distributed. Distributions of income that had previously been taxed will result in a corresponding reduction of basis in our common shares and will not be taxed again as a distribution to you.

The procedure a U.S. holder must comply with in making an effective QEF election, and the consequences of such election, will depend on whether the year of the election is the first year in the U.S. holder's holding period in which we are a PFIC. If the U.S. holder makes a QEF election in such first year, i.e., a "timely" QEF election, then the U.S. holder may make the QEF election by simply filing the appropriate documents at the time the U.S. holder files his tax return for such first year. If, however, we qualified as a PFIC in a prior year during the U.S. holder's holding period, then, in order to avoid the Section 1291 rules discussed below, in addition to filing documents, the U.S. holder must elect to recognize under the rules of Section 1291 of the Code (discussed herein) (i) any gain that he would otherwise recognize if the U.S. holder sold his stock on the qualification date or (ii) if we are a controlled foreign corporation, the U.S. holder's pro rata share of our post-1986

earnings and profits as of the qualification date. The qualification date is the first day of our first tax year in which we qualified as a QEF with respect to such U.S. holder. For purposes of this discussion, a U.S. holder who makes (i) a timely QEF election or (ii) an untimely QEF election and either of the above-described gain-recognition elections under Section 1291 is referred to herein as an Electing U.S. holder. A U.S. holder who holds common shares at any time during a year in which we are a PFIC and who is not an Electing U.S. holder (including a U.S. holder who makes an untimely QEF election and makes neither of the above-described gain-recognition elections) is referred to herein as a Non-Electing U.S. holder. An Electing U.S. holder (i) generally treats any gain realized on the disposition of his common shares as capital gain and (ii) may either avoid interest charges resulting from PFIC status altogether or make an annual election, subject to certain limitations, to defer payment of current taxes on his share of our annual realized net capital gain and ordinary earnings subject, however, to an interest charge.

In order for a U.S. holder to make (or maintain) a valid QEF election, we must provide certain information regarding our net capital gains and ordinary earnings and permit our books and records to be examined to verify such information. We intend to make the necessary information available to U.S. holders to permit them to make (and maintain) QEF elections with respect to us. We urge each U.S. holder to consult a tax advisor regarding the availability of, and procedure for making, the QEF election.

A QEF election, once made with respect to us, applies to the tax year for which it was made and to all subsequent tax years, unless the election is invalidated or terminated, or the IRS consents to revocation of the election. If a QEF election is made by a U.S. holder and we cease to qualify as a PFIC in a subsequent tax year, the QEF election will remain in effect, although not applicable, during those tax years in which we do not qualify as a PFIC. Therefore, if we again qualify as a PFIC in a subsequent tax year, the QEF election will be effective and the U.S. holder will be subject to the rules described above for Electing U.S. holders in such tax year and any subsequent tax years in which we qualify as a PFIC. In addition, the QEF election remains in effect, although not applicable, with respect to an Electing U.S. holder even after such U.S. holder disposes of all of his or its direct and indirect interest in our shares. Therefore, if such U.S. holder reacquires an interest in us, that U.S. holder will be subject to the rules described above for Electing U.S. holders for each tax year in which we qualify as a PFIC.

In the case of a Non-Electing U.S. holder, you would generally be subject to additional taxes and interest charges on (i) gains realized on the disposition (or deemed to be realized by reasons of a pledge) of your common shares and (ii) certain “excess distributions,” as defined in Section 1291(b) of the Code, by us regardless of whether we continue to be a PFIC in the year in which you receive an “excess distribution” or dispose of or are deemed to dispose of your common shares.

To compute the tax on “excess distributions” or any gain, (a) the “excess distribution” or the gain would be allocated ratably to each day in your holding period of our common shares, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we were a PFIC would be taxed as ordinary income in the current year, (c) the amount allocated to other taxable years would be taxable at the highest applicable marginal rate in effect for that year, and (d) an interest charge at the rate for underpayment of taxes for any period described under (c) above would be imposed with respect to any portion of the “excess distribution” or gain that is allocated to such period. A Non-Electing U.S. holder that is not a corporation must treat this interest charge as “personal interest” which is wholly non-deductible. In certain circumstances, the sum of the tax and the PFIC interest charge may exceed the amount of the excess distribution received, or the amount of proceeds of disposition realized, by the U.S. holder.

If we are a PFIC for any taxable year during which a Non-Electing U.S. holder holds our common shares, then we will continue to be treated as a PFIC with respect to such common shares, even if we are no longer by definition a PFIC. A Non-Electing U.S. holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules discussed above for Non-Electing U.S. holders) as if such common shares had been sold on the last day of the last taxable year for which we were a PFIC.

U.S. holders who hold (actually or constructively) marketable stock of a foreign corporation that qualifies as a PFIC may elect to mark such stock to the market annually, or a mark-to-market election. If such an election is made, such U.S. holder will generally not be subject to the special taxation rules of Section 1291 discussed above. However, if the mark-to-market election is made by a Non-Electing U.S. holder after the beginning of the holding period for the PFIC stock, then the Section 1291 rules will apply to certain dispositions of, distributions on and other amounts taxable with respect to our common shares. A U.S. holder who makes the mark-to-market election will include in income for each taxable year for which the election is in effect an amount equal to the excess, if any, of the fair market value of our common shares as of the close of such tax year over such U.S. holder’s adjusted basis in such common shares. The income inclusion resulting from this election would be taxed at ordinary income rates. In addition, the U.S. holder is allowed a deduction for the lesser of (i) the excess, if any, of such U.S. holder’s adjusted tax basis in the common shares over the fair market value of such shares as of the close of the tax year, or (ii) the excess, if any, of (A) the mark-to-market gains for our common shares included by such U.S. holder for prior tax years, including any amount which would have been treated as a mark-to-market gain for any prior tax year but for the Section 1291 rules discussed above with respect to Non-Electing U.S. holders, over (B) the mark-to-market losses for shares that were allowed as deductions for prior tax years. A U.S. holder’s adjusted tax basis in our common shares will be adjusted to reflect the amount included in or deducted from income as a result of a mark-to-market election. A mark-to-market election applies to the taxable year in which the election is made and to each subsequent taxable

year, unless our common shares cease to be marketable, as specifically defined, or the IRS consents to revocation of the election. Because the IRS has not established procedures for making a mark-to-market election, U.S. holders should consult their tax advisor regarding the manner of making such an election. No view is expressed regarding whether our common shares are marketable for these purposes or whether the election will be available.

The IRS has issued Proposed Treasury Regulations that, subject to certain exceptions, would treat as taxable certain transfers of PFIC stock by Non-Electing U.S. holders that are generally not otherwise taxed, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. Generally, in such cases the basis of our common shares in the hands of the transferee and the basis of any property received in the exchange for those common shares would be increased by the amount of gain recognized. Under the Proposed Treasury Regulations, an Electing U.S. holder would not be taxed on certain transfers of PFIC stock, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. The transferee's basis in this case will depend on the manner of the transfer. In the case of a transfer by an Electing U.S. holder upon death, for example, the transferee's basis is generally equal to the fair market value of the Electing U.S. holder's common shares as of the date of death under Section 1014 of the Code. The specific tax effect to the U.S. holder and the transferee may vary based on the manner in which the common shares are transferred. Each U.S. holder of our shares is urged to consult a tax advisor with respect to how the PFIC rules affect his or its tax situation.

Whether or not a U.S. holder makes a timely QEF election with respect to our common shares, certain adverse rules may apply in the event that we are a PFIC and any foreign corporation in which we directly or indirectly hold shares is a PFIC, or a lower-tier PFIC. Pursuant to certain Proposed Treasury Regulations, a U.S. holder would be treated as owning his or its proportionate amount of any lower-tier PFIC shares, and generally would be subject to the PFIC rules with respect to such indirectly-held PFIC shares unless such U.S. holder makes a timely QEF election with respect thereto. We currently have two wholly owned subsidiaries and we intend to make the necessary information available to U.S. holders to permit them to make (and maintain) QEF elections with respect to each subsidiary of ours that is a PFIC.

Under the Proposed Treasury Regulations, a U.S. holder who does not make a timely QEF election with respect to a lower-tier PFIC generally would be subject to tax (and the PFIC interest charge) on (i) a distribution on the shares of a lower-tier PFIC and (ii) an indirect disposition of the lower-tier PFIC shares, both as if you directly held the shares of such lower-tier PFIC. For this purpose, an indirect disposition of lower-tier PFIC shares would generally include (i) a disposition by us (or an intermediate entity) of lower-tier PFIC shares, and (ii) any other transaction resulting in a diminution of the U.S. holder's proportionate ownership of the lower-tier PFIC, including an issuance of additional common shares by us (or an intermediate entity). Accordingly, each prospective U.S. holder should be aware that he or it could be subject to tax even if such U.S. holder receives no distributions from us and does not dispose of its common shares. We strongly urge each prospective U.S. holder to consult a tax advisor with respect to the adverse rules applicable, under the Proposed Treasury Regulations, to U.S. holders of lower-tier PFIC shares.

Certain special, generally adverse, rules will apply with respect to our common shares while we are a PFIC unless the U.S. holder makes a timely QEF election. For example under Section 1298(b)(6) of the Code, a U.S. holder who uses PFIC stock as security for a loan (including a margin loan) will, except as may be provided in regulations, be treated as having made a taxable disposition of such shares.

If we were a PFIC for any taxable year during which you held our common shares, you must file IRS Form 8621 for each taxable year in which you recognize any gain on the sale or other disposition of your common shares, receive deemed or actual distributions from us, or make certain elections (including a QEF and mark-to-market election) with respect to your common shares. In addition, recently enacted legislation imposes an annual filing requirement for U.S. persons owning shares of a PFIC. Under recently issued IRS guidance, this new filing requirement will apply for taxable years beginning on or after March 18, 2010, and therefore should not apply to a calendar year shareholder until 2011. You should consult your own tax advisor as to the application of any information reporting requirements to you resulting from our status as a PFIC. We cannot ensure you that we will provide you with all of the information you would need make or maintain any PFIC related elections for any taxable year.

Controlled Foreign Corporation

If more than 50% of the total combined voting power of all our of shares entitled to vote or the total value of our shares is owned, actually or constructively, by citizens or residents of the United States, United States domestic partnerships or corporations, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(31)), each of which own, actually or constructively, 10% or more of the total combined voting power of all of our classes of shares entitled to vote, each, a U.S. shareholder, we could be treated as a controlled foreign corporation, or CFC, under Subpart F of the Code. This classification would affect many complex results, one of which is the inclusion of certain income of a CFC which is subject to current U.S. tax. The U.S. generally taxes U.S. shareholders of a CFC currently on their pro rata shares of the Subpart F income of the CFC. Such U.S. shareholders are generally treated as having received a current distribution out of the CFC's Subpart F income and are also subject to current U.S. tax on their pro rata shares of increases in the CFC's earnings invested in U.S. property. The foreign tax credit described above may reduce the U.S. tax on these amounts. In addition, under Section 1248 of the Code, gain from the sale or exchange of shares by a U.S. holder of our common shares

which is or was a United States Shareholder at any time during the five-year period ending on the date of the sale or exchange is treated as ordinary income to the extent of earnings and profits attributable to the shares sold or exchanged. If a foreign corporation is both a PFIC and a CFC, the foreign corporation generally will not be treated as a PFIC with respect to U.S. shareholders of the CFC. Special rules apply to U.S. shareholders who are subject to the special taxation rules under Section 1291 discussed above with respect to a PFIC. Because of the complexity of Subpart F, a more detailed review of these rules is outside of the scope of this discussion. We do not believe that we currently qualify as a CFC. However, there can be no assurance that we will not be considered a CFC for the current or any future taxable year.

10F. Dividends and Paying Agents

Not applicable.

10G. Statement by Experts

Not applicable.

10H. Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and file reports, registration statements and other information with the SEC. However, we are a "foreign private issuer" as defined under U.S. securities laws. As a result, , we are exempt from certain informational requirements of the Securities Exchange Act of 1934 which domestic issuers are subject to, including the proxy rules under Section 14 of the Securities Exchange Act of 1934, the insider reporting and short-profit provisions under Section 16 of the Securities Exchange Act of 1934 and the requirement to file current reports Form 8-K upon the occurrence of certain material events. We intend to fulfill all informational requirements that do apply to us as a foreign private issuer under Securities Exchange Act of 1934 by filing all such information with the SEC. We are also subject to the full informational requirements of the securities commissions in all provinces of Canada. Our reports, registration statements and other information can be inspected on the SEC's website at www.sec.gov and such information can also be inspected and copies ordered at the public reference facilities maintained by the SEC at the following location: 100 F Street NE, Washington, D.C. 20549. You are also invited to read and copy any reports, statements or other information, other than confidential filings, that we intend to file with the Canadian provincial securities commissions. These filings are also electronically available from the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com, the Canadian equivalent of the SEC's electronic document gathering and retrieval system.

10I. Subsidiary Information

See Item 4.C. "*Organizational Structure*" of this Annual Report.

ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

a) Transaction Risk and Currency Risk Management

Our operations do not employ complex financial instruments or derivatives, and given that we keep our excess funds in high-grade short-term instruments, we have determined that we have no material market risk. In the event we experience substantial growth in the future, our business and results of operations may be materially affected by the granting of credit options to our customers and certain other credit risks associated with our operations.

b) Interest Rate Risk and Equity Price Risk

We are equity financed and do not have any debt which could be subject to significant interest rate change risks. We have raised equity funding through the sale of securities denominated in Canadian and U.S. dollars, and will likely raise additional equity funding denominated in Canadian and U.S. dollars in the future.

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, 2010 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.

c) Exchange Rate Sensitivity

A significant portion of our administrative operations are in Canada. 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 using cash received from U.S. dollar revenues to pay U.S. dollar expenses and by limiting holdings of U.S. dollar cash and cash equivalent balances to working capital levels. We have not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

d) Commodity Price Risk

Not applicable.

ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

12A. Debt Securities

Not applicable.

12B. Warrants and Rights

Not applicable.

12C. Other Securities

Not applicable.

12D. American Depository Shares

Not applicable.

PART II

ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14 MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS/ USE OF PROCEEDS

Not applicable.

ITEM 15 CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

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, 2010 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 believe them to be effective. They also concluded that there were no changes in controls during 2010 that materially affected the Company's internal control over financial reporting and disclosure controls and procedures.

(b) Management's Annual Report on internal control over financial reporting

This annual report does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies.

(c) Attestation report of the registered public accounting firm

See "—Management's Annual Report on internal control over financial reporting".

(d) Changes in internal control over financial reporting

None.

ITEM 16A AUDIT COMMITTEE FINANCIAL EXPERTS

The Audit Committee meets with the financial officers of the Company and the independent auditors to review and inquire into matters affecting financial reporting matters, the system of internal accounting and financial controls and procedures, and the audit procedures and plans. The committee also makes recommendations to the Board regarding the appointment of independent auditors. In addition, the committee reviews and recommends to the Board for approval the annual financial statements and the annual report and certain other documents including the interim financial statements required by the regulatory authorities. The committee is also responsible for approving the policies under which the financial officers of the Company may invest the funds in excess of those required for current operations. In 2010, the Audit Committee charter was revised to reflect our upcoming listing on the NASDAQ Capital Market. In its August 11, 2010 meeting, the Board of Directors approved the revised Audit Committee charter. The charter, in its most recently approved form, is attached as an appendix to this Annual Report.

The committee has also adopted a policy that requires its approval of non-audit services to be provided by the Company's auditors.

The committee is currently composed of Messrs. Jewell, Galbraith and Karbe (the committee chairman), none of whom are current or former executive officers of the Company. Our Board has determined that all three members of the Audit Committee are "audit committee financial experts," as defined by the SEC because they meet the additional criteria for independence of Audit Committee members under the NASDAQ rules, they are financially literate, and based on either their training as a professional accountant or experience as a chief executive officer or chief financial officer. See "Biographies of Directors and Executive Officers" for a description of the education and experience of each audit committee member that is relevant to the performance of his responsibilities as an audit committee member.

ITEM 16B CODE OF ETHICS

The Board of Directors of Tekmira Pharmaceuticals Corporation has adopted a Code of Business Conduct (the "Code") for all directors, officers and employees of the Company. In this code, "We" and "Us" mean all Tekmira directors, officers and employees. The "Company" or "Tekmira" includes Tekmira Pharmaceuticals Corporation and all of its subsidiaries.

The purpose of this Code is to promote:

- Honest and ethical conduct, including ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely, and understandable disclosure in the reports that Tekmira is required to file with such securities exchange or quotation system or regulatory agency as may from time to time apply to Tekmira and in other public communications made by Tekmira;
- Compliance with all applicable laws, rules and regulations.

The Company's Code of Business Conduct and related documents have been posted on Tekmira's website at www.tekmirapharm.com.

ITEM 16C PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

The aggregate fees billed for professional services rendered by KPMG for the years ended December 31, 2010 and December 31, 2009 are as follows:

	December 31, 2010	December 31, 2009
Audit fees[1]	$ 288,600	$ 130,848
Tax fees[2]	$ 53,941	$ 66,755
Total fees	$ 342,541	$ 197,603

(1) Quarterly reviews, review of SEC listing documents, review of prospectus, consultations on the accounting or disclosure treatment of transactions reflected in the financial statements.
(2) Tax compliance and tax planning.

Audit Committee Pre-Approval Policies and Procedures

(1) Disclose the audit committee's pre-approval policies and procedures described in paragraph (c)(7)(i) of Rule 2-01of Regulation S-X.

(2) Disclose the percentage of services described in each of paragraphs (b) through (d) of this Item that were approved by the audit committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

The Company has complied with the Canadian Institute of Chartered Accountants' Rules of Professional Conduct on auditor independence (the Rules) by adopting pre-approval policies and procedures for non-audit services to be provided by the Company's auditors, KPMG LLP (KPMG). As they relate to public companies these Rules are very similar to the revised independence rules of the Securities and Exchange Commission (SEC) that became effective on May 6, 2003. They include prohibitions or restrictions on services that may be provided to audit clients and require that all services provided to a listed entity audit client, including its subsidiaries, be pre-approved by the client's audit committee.

The Rules identify the following ten types of non-audit services that are deemed inconsistent with an auditors' independence ("Prohibited Services"): bookkeeping or other services related to the audit client's accounting records or financial statements; financial information systems design and implementation; appraisal or valuation services for financial reporting purposes; actuarial services for items recorded in the financial statements; internal audit outsourcing services; management functions; human resources; certain corporate finance and other services; legal services; certain expert services unrelated to the audit.

The Rules provide further details as to the specific nature of services within these categories that are prohibited. The Company and its subsidiaries will not engage KPMG to carry out any Prohibited Service. For services that are not prohibited the following pre-approval policies will apply:

- The Audit Committee will pre-approve all audit services provided by KPMG through their recommendation of KPMG as shareholders' auditors at the Company's annual meeting and through the Audit Committee's review of KPMG's annual audit plan.
- Annually, the Audit Committee will review a list of audit, audit-related, tax and other non-audit services and recommend pre-approval of these services for the upcoming year. Any additional requests will be addressed on a case-by-case specific engagement basis as described below. The Audit Committee will be informed quarterly of the services on the pre-approved list for which the auditor has been engaged.
- All requests to engage KPMG for other services will be addressed on a case-by-case specific engagement basis. The Company employee making the request is to submit the request for service to the Company's Executive Vice President, Finance. The request for service should include a description of the service, the estimated fee, a statement that the service is not a Prohibited Service and the reason KPMG is being engaged.

For services where the aggregate fees are estimated to be less than or equal to $20,000, recommendations, in respect of each engagement, will be submitted by Executive Vice President, Finance, the official responsible for coordinating services with KPMG to the chairman of the Audit Committee for consideration and approval. The full Audit Committee will subsequently be informed of the service, at its next meeting. The engagement may commence upon approval of the chairman of the Audit Committee. For services where the aggregate fees are estimated to be greater than $20,000, recommendations, in respect of each engagement, will be submitted by the Company's Executive Vice President, Finance to the full Audit Committee for consideration and approval, generally at its next meeting. The engagement may commence upon approval of the Committee.

(f)

If greater than 50 percent, disclose the percentage of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees.

ITEM 16D EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G CORPORATE GOVERNANCE

Tekmira believes in building a strong governance foundation. We are subject to many provisions of the Sarbanes-Oxley Act of 2002 and related rules of the SEC, the governance standards of the NASDAQ and the rules and policies of the Canadian provincial securities regulators regarding audit committees, corporate governance and the certification of certain annual and interim filings. The Board of Directors continues to further its commitment to corporate governance by ensuring that all corporate governance documents are current, including the following documents:

- Audit Committee Charter;
- Corporate Governance and Nominating Committee Charter;
- Executive Compensation and Human Resource Committee Charter;
- Code of Conduct for Directors, Officers and Employees;
- Whistleblower Policy; and
- Insider Trading Policy.

With respect to monitoring compliance with our Code of Business Conduct and Code of Ethics for Senior Financial Officers our employees signed a declaration confirming that they had read and understood the codes. Employees are periodically re-trained on the Code.

The Board of Directors approved all current Committee Charters and Guidelines on August 11, 2010. All of the above listed documents are publicly available on the Tekmira website at www.tekmirapharm.com.

NASDAQ Corporate Governance Exemptions

As a Canadian corporation listed on the NASDAQ Capital Market, we are not required to comply with most of the NASDAQ corporate governance requirements, so long as we comply with Canadian corporate governance practices. In order to claim such an exemption, we must disclose the significant differences between our corporate governance practices and those required to be followed by U.S. domestic issuers under NASDAQ's corporate governance requirements. We are in compliance with the NASDAQ corporate governance requirements except as described below:

(1) Quorum Requirements

Rule 5620(c) of the NASDAQ Marketplace Rules requires that the minimum quorum requirement for a meeting of shareholders is 33.33% of the outstanding common shares. In addition, Rule 5620(c) requires that an issuer listed on NASDAQ state its quorum requirement in its byaws. Our articles provide that a quorum for purposes of any meeting of shareholders of the Company consists of at least two persons who are, or who represent by proxy, one or more shareholders who, in the aggregate, hold at least 5% of the issues shares entitled to be voted at a meeting of shareholders. Our common shares are also listed on the Toronto Stock Exchange, the primary stock exchange in Canada, which does not prescribe a minimum quorum requirement. We follow applicable Canadian laws with respect to quorum requirements.

(2) Shareholder Approval

Rule 5635 of the NASDAQ Marketplace Rules requires shareholder approval to be obtained prior to the issuance of securities in connection with the undertaking of certain corporate actions. The circumstances under which shareholder approval is required under the NASDAQ Marketplace Rules are not identical to the circumstances under which shareholder approval is required under Canadian law and the requirements of the Toronto Stock Exchange. For example, but without limitation, Rule 5635 requires shareholder approval of most equity compensation plans and material revisions to such plans. This requirement covers plans that provide for the delivery of both newly issued and treasury securities. We follow the Toronto Stock Exchange rules with respect to the requirements for shareholder approval of potential transactions, including, without limitation, shareholder approval of equity compensation plans and material revisions to such plans.

PART III

ITEM 17 FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18 FINANCIAL STATEMENTS

Our consolidated financial statements are included in this Annual Report beginning on page F-1.

ITEM 19 EXHIBITS

The following exhibits are included in this Annual Report:

Exhibit Number	Description
1.1	Notice of Articles and Articles of the Company
2.1	Subscription Agreement, between the Company and Alnylam Pharmaceuticals, Inc., dated March 28, 2008
2.2	Subscription Agreement, between the Company and Roche Finance Ltd., dated March 31, 2008
4.1†	Amendment No. 1 to the Amended and Restated Agreement, between the Company (formerly Inex Pharmaceuticals Corporation) and Hana Biosciences, Inc., effective as of May 27, 2009
4.2†	Amended and Restated License Agreement, between Inex Pharmaceuticals Corporation and Hana Biosciences, Inc, dated April 30, 2007
4.3†	Sublicense Agreement, between Inex Pharmaceuticals Corporation and Alnylam Pharmaceuticals, Inc., dated January 8, 2007
4.4†	Amended and Restated License and Collaboration Agreement, between the Company and Alnylam Pharmaceuticals, Inc., effective as of May 30, 2008
4.5†	Amended and Restated Cross-License Agreement, between Alnylam Pharmaceuticals, Inc. and Protiva Biotherapeutics Inc., dated May 30, 2008
4.6†	License Agreement, between Inex Pharmaceuticals and Aradigm Corporation, dated December 8, 2004
4.7†	Settlement Agreement, between Sirna Therapeutics, Inc. and Merck & Co., Inc. and Protiva Biotherapeutics Inc. and Protiva Biotherapeutics (USA), Inc., effective as of October 9, 2007
4.8†	Development, Manufacturing and Supply Agreement, between the Company and Alnylam Pharmaceuticals, Inc., dated January 2, 2009
4.9	Executive Employment Agreement with Ian Mortimer, dated March 26, 2008
4.10	Executive Employment Agreement with Ian MacLachlan, dated May 30, 2008
4.11	Executive Employment Agreement with Mark Murray, dated May 30, 2008
4.12	Executive Employment Agreement with Peter Lutwyche, dated January 1, 2009
4.13	Share Option Plan amended through May 12, 2009 (including form stock option agreements)
4.14	Lease Agreement with Canada Lands Company CLC Limited dated December 15, 1997, as amended
4.15	Form of Indemnity Agreement
4.16†	Award Contract with USASMDC/ARSTRAT effective date July 14, 2010
4.17†	License Agreement between the University of British Columbia and Inex Pharmaceuticals Corporation executed on July 30, 2001
4.18†	Amendment Agreement between the University of British Columbia and Inex Pharmaceuticals Corporation dated July 11, 2006
4.19†	Second Amendment Agreement between the University of British Columbia and Inex Pharmaceuticals Corporation dated January 8, 2007
4.20†	Consent Agreement of the University of British Columbia to Inex/Alnylam Sublicense Agreement dated January 8, 2007

Exhibit Number	Description
4.21†	Amendment No. 2 to the Amended and Restated Agreement, between the Company (formerly Inex Pharmaceuticals Corporation) and Hana Biosciences, Inc., effective as of September 20, 2010.
8.1	List of Subsidiaries
12.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of KPMG LLP

† Portions of this exhibit have been omitted based on an application for confidential treatment from the SEC. The omitted portions of these exhibits have been submitted separately with the SEC.

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For the period ended December 31, 2010

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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

/s/ Ian C. Mortimer

Ian C. Mortimer
Executive Vice President, Finance and
Chief Financial Officer

June 3, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

We have audited the accompanying consolidated financial statements of Tekmira Pharmaceuticals Corporation, which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009, the consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2010, 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 generally accepted accounting principles in the United States of America, 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. 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, 2010 and December 31, 2009 and its consolidated results of operations and its consolidated cash flows for each of the years in the three-year period ended December 31, 2010 in accordance with generally accepted accounting principles in the United States of America.

Chartered Accountants

/s/ KPMG LLP

March 30, 2011, except for notes 14 (b) and (c), which are as of June 3, 2011

Vancouver, Canada

TEKMIRA PHARMACEUTICALS CORPORATION

Consolidated Balance Sheets
(Expressed in Canadian Dollars)
(Prepared in accordance with U.S. GAAP)

	December 31 2010	December 31 2009 As adjusted (note 2)
Assets		
Current assets:		
Cash and cash equivalents	**$ 12,346,010**	$ 24,397,740
Accounts receivable	**3,318,729**	1,052,895
Accrued revenue	**817,464**	—
Deferred expenses	**557,256**	—
Investment tax credits receivable	**403,580**	280,132
Finished goods inventory	**150,731**	—
Prepaid expenses and other assets	**315,057**	226,981
Total current assets	**17,908,827**	25,957,748
Property and equipment (note 5)	**3,113,416**	3,321,041
Total assets	**$ 21,022,243**	$ 29,278,789
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 13)	**$ 6,151,923**	$ 5,653,827
Deferred revenue current portion (note 4)	**1,982,264**	1,162,437
Total current liabilities	**8,134,187**	6,816,264
Deferred revenue, net of current portion (note 4)	**2,155,478**	—
Total liabilities	**10,289,665**	6,816,264
Commitments and contingencies (note 10)		
Stockholders' equity:		
Common shares (note 6)		
Authorized - unlimited number with no par value		
Issued and outstanding - 10,338,703 (2009 - 10,328,588)	**229,491,529**	229,426,757
Additional paid-in capital	**30,151,810**	29,531,049
Deficit	**(248,910,761)**	(236,495,281)
Total stockholders' equity	**10,732,578**	22,462,525
Total liabilities and stockholders' equity	**$ 21,022,243**	$ 29,278,789

Basis of presentation and future operations (note 1)
Business acquisition (note 3)
Subsequent event (note 14)

See accompanying notes to the consolidated financial statements.

TEKMIRA PHARMACEUTICALS CORPORATION

Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)
(Prepared in accordance with U.S. GAAP)

	Year ended December 31		
	2010	2009 As adjusted (note 2)	2008 As adjusted (note 2)
Revenue (note 4)			
Collaborations and contracts	**$ 14,923,860**	$ 13,831,916	$ 6,649,273
Licensing fees and milestone payments	**514,129**	596,500	5,082,303
License amendment payment (note 4(f))	**5,916,750**	—	—
	21,354,739	14,428,416	11,731,576
Expenses			
Research, development, collaborations and contracts	**22,133,983**	17,764,379	16,123,203
General and administrative	**4,780,745**	4,152,540	4,404,028
Termination and restructuring expenses (note 8)	**—**	—	3,172,544
Depreciation of property and equipment	**1,038,573**	988,659	764,247
In-process research and development acquired from Protiva (note 3)	**—**	—	16,252,000
Loss on purchase and settlement of exchangeable and development notes (note 4(f))	**5,916,750**	—	—
	33,870,051	22,905,578	40,716,022
Loss from operations	**(12,515,312)**	(8,477,162)	(28,984,446)
Other income (losses)			
Interest income	**106,957**	163,696	898,600
Impairment loss on goodwill (note 3)	**—**	—	(3,890,749)
Foreign exchange gains (losses)	**(7,125)**	(435,691)	2,056,192
Net loss and comprehensive loss	**$(12,415,480)**	$ (8,749,157)	$ (29,920,403)
Weighted average number of common shares			
Basic and diluted	**10,332,941**	10,325,023	8,116,350
Loss per common share			
Basic and diluted	**$ (1.20)**	$ (0.85)	$ (3.69)

See accompanying notes to the consolidated financial statements.

TEKMIRA PHARMACEUTICALS CORPORATION

Consolidated Statements of Stockholders' Equity
For the years ended December 31, 2010, 2009 and 2008
(Expressed in Canadian Dollars)
(Prepared in accordance with U.S. GAAP)

	Number of shares	Share capital	Additional paid-in capital	Deficit	Total stockholders' equity
Balance, December 31, 2007 as adjusted (note 2)	4,913,136	$195,317,270	$ 20,700,522	$(197,825,721)	$ 18,192,071
Stock-based compensation (note 6)	—	—	1,772,351	—	1,772,351
Issuance of common shares pursuant to exercise of options (note 6)	8,548	55,740	(25,623)	—	30,117
Issuance of common shares pursuant to acquisition of Protiva Biotherapeutics Inc. (note 3)	4,569,718	28,789,221	—	—	28,789,221
Common shares issuable upon exercise of Protiva Biotherapeutics Inc. stock options (note 3)	—	—	2,109,754	—	2,109,754
Issuance of common shares pursuant to private placement (note 3)	833,333	5,249,999	4,715,001	—	9,965,000
Net loss	—	—	—	(29,920,403)	(29,920,403)
Balance, December 31, 2008 as adjusted (note 2)	10,324,735	$229,412,230	$ 29,272,005	$(227,746,124)	$ 30,938,111
Stock-based compensation (note 6)	—	—	265,685	—	265,685
Issuance of common shares pursuant to exercise of options (note 6)	3,852	14,527	(6,641)	—	7,886
Net loss	—	—	—	(8,749,157)	(8,749,157)
Balance, December 31, 2009 as adjusted (note 2)	10,328,588	$229,426,757	$ 29,531,049	$(236,495,281)	$ 22,462,525
Stock-based compensation (note 6)	**—**	**—**	**650,620**	**—**	**650,620**
Issuance of common shares pursuant to exercise of options (note 6)	**10,115**	**64,772**	**(29,859)**	**—**	**34,913**
Net loss	**—**	**—**	**—**	**(12,415,480)**	**(12,415,480)**
Balance, December 31, 2010	**10,338,703**	**$229,491,529**	**$ 30,151,810**	**$(248,910,761)**	**$ 10,732,578**

See accompanying notes to the consolidated financial statements.

TEKMIRA PHARMACEUTICALS CORPORATION

Consolidated Statements of Cash Flow
(Expressed in Canadian Dollars)
(Prepared in accordance with U.S. GAAP)

	Year ended December 31		
	2010	2009 As adjusted (note 2)	2008 As adjusted (note 2)
OPERATIONS			
Loss for the year	**$(12,415,480)**	$ (8,749,157)	$ (29,920,403)
Items not involving cash:			
Depreciation of property and equipment	**1,038,573**	988,659	764,247
Stock-based compensation expense (note 6)	**650,620**	265,685	1,772,351
Impairment loss on goodwill	**—**	—	3,890,749
Foreign exchange (gains) losses arising on foreign currency cash balances	**7,187**	325,742	(1,501,722)
Net change in non-cash operating items:			
Accounts receivable	**(2,265,834)**	(420,456)	2,310,444
Accrued revenue	**(817,464)**	—	—
Deferred expenses	**(557,256)**	—	—
Investment tax credits receivable	**(123,448)**	124,321	(102,574)
Inventory	**(150,731)**	174,524	38,495
Prepaid expenses and other assets	**(88,076)**	(126,621)	91,367
Accounts payable and accrued liabilities	**498,096**	1,180,215	923,691
Deferred revenue	**2,975,305**	703,343	(4,596,557)
	(11,248,508)	(5,533,745)	(26,329,912)
INVESTMENTS			
Proceeds from (acquisition of) short-term investments, net	**—**	5,730,507	2,606,652
Acquisition of property and equipment	**(830,948)**	(1,699,508)	(1,176,160)
In-process research and development acquired through acquisition of Protiva (note 3)	**—**	—	16,252,000
Cash acquired through acquisition of Protiva Biotherapeutics Inc., net of acquisition costs (note 3)	**—**	—	2,519,095
	(830,948)	4,030,999	20,201,587
FINANCING			
Issuance of common shares pursuant to private placements (note 3)	**—**	—	9,965,000
Issuance of common shares pursuant to exercise of options	**34,913**	7,886	30,117
Repayment of obligations under capital leases	**—**	—	(75,688)
	34,913	7,886	9,919,429
Foreign exchange gains (losses) arising on foreign currency cash balances	**(7,187)**	(325,742)	1,501,722
Decrease in cash and cash equivalents	**(12,051,730)**	(1,820,602)	5,292,826
Cash and cash equivalents, beginning of year	**24,397,740**	26,218,342	20,925,516
Cash and cash equivalents, end of year	**$ 12,346,010**	$ 24,397,740	$ 26,218,342
Supplemental cash flow information			
Interest paid	**$ —**	$ —	$ 3,668
Investment tax credits received	**$ 36,613**	$ 275,965	$ —
Fair value of shares issued to Protiva Biotherapeutics Inc. shareholders pursuant to business acquisition (note 3)	**$ —**	$ —	$ 28,789,221
Fair value of shares reserved for the exercise of Protiva Biotherapeutics Inc. stock options (note 3)	**$ —**	$ —	$ 2,109,754

See accompanying notes to the consolidated financial statements.

TEKMIRA PHARMACEUTICALS CORPORATION

Notes to Consolidated financial statements
(Expressed in Canadian dollars)

1. Nature of business and future operations

Tekmira Pharmaceuticals Corporation (the "Company") is a Canadian biopharmaceutical business focused on advancing novel RNA interference therapeutics and providing its leading lipid nanoparticle delivery technology to pharmaceutical partners.

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 (note 3). All intercompany transactions and balances have been eliminated on consolidation.

The Company previously prepared its consolidated financial statements in conformity with Canadian generally accepted accounting principles (GAAP) and provided a supplemental reconciliation to United States of America GAAP (U.S. GAAP). Effective December 31, 2010, the Company prepared its consolidated financial statements under U.S. GAAP. These audited consolidated financial statements have been prepared by management in accordance with U.S. GAAP and are presented in Canadian dollars. All comparative financial information contained herein has been recast to reflect the Company's results as if the Company had historically reported in accordance with U.S. GAAP. These policies are consistent with Canadian GAAP in all material respects for the Company, except as described and reconciled in note 15.

On November 4, 2010 the Company's common shares were consolidated on a basis of five current common shares for one new common share. All references to common stock, common shares outstanding, average number of common shares outstanding, per share amounts and options in these financial statements and notes thereto have been restated to reflect the common stock consolidation on a retroactive basis.

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 the valuation of goodwill, the valuation of acquired in-process research and development, the useful lives of property and equipment for the purpose of amortization, recognition of revenue, stock-based compensation, 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. Unrealized gains and losses on items for which the fair value option have been elected are reported in earnings. Upon adoption of this policy on January 1, 2008, we did not elect to apply the fair value option to any of our eligible instruments; therefore there was no impact on our consolidated financial statements.

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 of 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.

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 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.

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.

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	5 years
Computer and office equipment	2-5 years
Furniture and fixtures	5 years

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.

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.

Revenue and expenses under the contract with the United States Government 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 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 to 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 are 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 stock options.

Government assistance

Government assistance 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 assistance towards the acquisition of property and equipment is deducted from the cost of the related property and equipment.

Foreign currency translation

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.

Future income taxes

Income taxes are accounted for using the asset and liability method of accounting. Future 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. Future 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 future 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 future 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 6. 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 typically measured at the grant date and amortized on a straight-line basis over the vesting period.

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 in the United States. Substantially of the Company's premises, property and equipment is located in Canada.

Recent accounting pronouncements

In October 2009, the Financial Accounting Standards Board (FASB) issued EITF 08-01, *Revenue Arrangements with Multiple Deliverables* (currently within the scope of FASB Accounting Standards Codification (ASC) Subtopic 605-25). This statement provides principles for allocation of consideration among its multiple-elements, allowing more flexibility in identifying and accounting for separate deliverables under an arrangement. The EITF introduces an estimated selling price method for valuing the elements of a bundled arrangement if vendor-specific objective evidence or third-party evidence of selling price is not available, and significantly expands related disclosure requirements. This standard is effective on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Alternatively, adoption may be on a retrospective basis, and early application is permitted. It is not expected the adoption of this pronouncement will have a material impact on the Company's financial condition, results of operations or cash flows.

In March 2010, the FASB ratified the EITF final consensus on Issue ASC 2010-17, *Milestone Method of Revenue Recognition*. The guidance in this consensus allows the milestone method as an acceptable revenue recognition methodology when an arrangement includes substantive milestones. The guidance provides a definition of a substantive milestone and should be applied regardless of whether the arrangement includes single or multiple deliverables or units of accounting. The scope of this consensus is limited to transactions involving milestones relating to research and development deliverables. The guidance includes enhanced disclosure requirements about each arrangement, individual milestones and related contingent consideration, information about substantive milestones and factors considered in the determination. The consensus is effective prospectively to milestones achieved in fiscal years, and interim periods within those years, after June 15, 2010. Early application and retrospective application are permitted. The Company is currently evaluating this new consensus.

In July 2010, the FASB issued ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, which amends ASC 310 by requiring more robust and disaggregated disclosures about the credit quality of an entity's financing receivables and its allowance for credit losses. The enhanced disclosure will provide financial statement users with an improved understanding of (1) the nature of an entity's credit risk associated with its financing receivables and (2) the entity's assessment of that risk in estimating its allowance for credit losses as well as changes in the allowance and the reasons for those changes. This standard is effective on a prospective basis for the first interim or annual period beginning after December 15, 2010. The Company does not expect the adoption of this pronouncement to have a material impact on its financial condition, results of operations or cash flows.

3. Business acquisition

On May 30, 2008, the Company completed the acquisition of 100% of the outstanding shares of Protiva Biotherapeutics, Inc. ("Protiva"), a privately owned Canadian company developing lipid nanoparticle delivery technology for small interfering RNA ("siRNA"), for $31,761,255. Concurrent with the acquisition, the Company entered into initial research agreements with F. Hoffman-La Roche Ltd and Hoffman La-Roche Inc. (collectively "Roche").

The acquisition of Protiva and related financing and other transactions were first announced by the Company on March 30, 2008 and the acquisition closed on May 30, 2008.

The primary purpose of the Protiva acquisition is to give the Company broader technology and intellectual property in the field of lipid nanoparticle delivery, including the delivery of siRNA as well as RNAi product candidates.

Cost of acquisition

The Company issued 4,569,718 common shares to acquire 100% of the outstanding shares of Protiva. The fair value of the Company's shares has been determined based on the weighted average closing price of the shares traded on the Toronto Stock Exchange from March 27, 2008 to April 2, 2008, being $6.30 per share. The Company used the Black-Scholes option pricing model to estimate the fair value of the 350,459 shares reserved at the acquisition date for the exercise of assumed Protiva stock options using the following weighted average assumptions: dividend yield of 0%; risk free interest rate of 3.03%; volatility factor of the expected market price of the Company's common stock of 131%; and a weighted average expected life of the options of six years.

The acquisition was accounted for under the purchase method of accounting. Accordingly, the assets, liabilities, revenues and expenses of Protiva are consolidated with those of the Company from May 30, 2008. Total fair value of the consideration given was allocated to the assets acquired and liabilities assumed based upon their estimated fair values, as follows:

Cost of acquisition:	
Common shares issued	$28,789,221
Common shares issuable upon exercise of Protiva stock options	2,109,754
Direct acquisition costs	862,280
	$31,761,255
Allocated at estimated fair values:	
Cash	$ 3,381,375
Short-term investments	8,337,159
Accounts receivable	1,148,928
Prepaid expenses and other assets	82,573
Investment tax credit receivable	275,695
Property and equipment	635,911
In-process research and development	16,252,000
Goodwill	3,890,749
Accounts payable and accrued liabilities	(1,794,500)
Deferred revenue	(448,635)
	$31,761,255

Allocation of fair values

A valuation of Protiva's property and equipment and in-process research and development was completed.

The Company used the income approach and considered potential cash flows from both internal and partnered products to determine the fair value of the in-process research and development. The excess purchase price over the fair value of the net identifiable assets acquired has been allocated to goodwill.

Various factors contributed to the establishment of goodwill, including: the value of Protiva's highly skilled and knowledgeable work force as of the acquisition date; the expected revenue growth over time that is attributable to new and expanded collaborative partnerships; and the synergies expected to result from combining workforces and infrastructures.

At September 30, 2008 the Company carried out a goodwill impairment test. Based on the Company's evaluation, including its market capitalization as at September 30, 2008 the Company determined that the fair value of goodwill was nil and an impairment loss of $3,890,749 was recorded in the statement of operations and comprehensive loss.

The in-process research and development acquired includes licenses and intellectual property. The in-process research and development was expensed in the Company's consolidated statement of operations and comprehensive loss at the time of acquisition as it has no alternative future use.

The Company does not anticipate a future tax liability as a result of the differences between the tax values and allocated fair values of the assets, based on available tax deductions. At the time of the acquisition, Protiva had approximately $19,000,000 of unused non-capital losses available to reduce taxable income of future years and expiring between 2008 and 2027 and approximately $1,000,000 of investment tax credits available to reduce income taxes of future years expiring between 2011 and 2027. Furthermore, Protiva had Scientific Research and Experimental Development expenditures of approximately $11,500,000 available for carry-forward indefinitely against future taxable income. The tax value of goodwill arising on the acquisition is approximately $2,918,000. The potential income tax benefits relating to these future tax assets have not been recognized in the purchase price allocation as their realization does not meet the requirements of "more likely than not" under the liability method of tax allocation.

On March 25, 2008, Protiva declared dividends totaling US$12,000,000. The dividend was 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 US$12,000,000 in payments from a certain third party. Protiva will pay these funds if and when it receives 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 at the acquisition, the US$12,000,000 receivable and the related promissory notes payable are not included in the purchase equation above and are not recorded in the Company's consolidated balance sheet.

Private placement investment

Concurrent with the acquisition, the Company completed a private placement investment of 416,667 newly issued common shares for $4,965,000 (US$5,000,000, US$12.00 per share) with Alnylam Pharmaceuticals, Inc. ("Alnylam") and a private placement investment of 416,667 newly issued common shares for $5,000,000 (CAD$12.00 per share) with a Roche affiliate for an aggregate investment of $9,965,000. The fair value of the Company's shares issued to Alnylam and the Roche affiliate of $5,249,999 ($6.30 per share) was determined based on the weighted average closing price of the shares traded on the Toronto Stock Exchange on the five days around the March 30, 2008 acquisition and investment announcement being March 27, 2008 to April 2, 2008 and has been recorded as share capital. Based on this fair value, the share premium paid by Alnylam and the Roche affiliate was an aggregate of $4,715,001 and has been recorded as additional paid-in capital.

Pro forma information

The following pro forma information presents the Company's operating results by giving effect to the purchase price allocations set out above as if the acquisition had been completed as of January 1, 2008. The pro forma amounts are not intended to be indicative of the results that would have actually been obtained if the acquisition occurred as of January 1, 2008 or that may be obtained in the future. If the acquisition of Protiva had occurred as of January 1, 2008, the pro forma operating results would have been as follows:

	2008
Revenue	$ 12,905,944
Net loss and comprehensive loss	(40,072,388)
Loss per common share, basic and diluted	$ (4.94)

4. Collaborations, contracts and licensing agreements

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

	Year ended December 31		
	2010	2009	2008
Collaborations and contracts			
Alnylam (a)	**$ 6,258,535**	$ 8,831,250	$ 6,079,681
U.S. Government (b)	**3,560,711**	—	—
Roche (c)	**4,499,689**	4,757,842	159,465
BMS (d)	**227,995**	165,776	359,112
Other RNAi collaborators (e)	**376,930**	77,048	—
Talon (f)	**—**	—	51,015
Total research and development collaborations and contracts	**14,923,860**	13,831,916	6,649,273
Alnylam licensing fees and milestone payments (a)	**514,129**	596,500	5,082,303
Talon license amendment payment (f)	**5,916,750**	—	—
Total revenue	**$21,354,739**	$14,428,416	$11,731,576

The following table sets forth deferred collaborations and contracts revenue:

	December 31	
	2010	2009
Alnylam (a)	**$ —**	$ 35,987
U.S. Government (b)	**760,924**	—
Roche (c)	**40,232**	792,583
BMS current portion (d)	**1,181,108**	333,867
Deferred revenue, current portion	**1,982,264**	1,162,437
BMS long-term portion(d)	**2,155,478**	—
Total deferred revenue	**$4,137,742**	$1,162,437

(a) 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”) 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.

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 dated August 14, 2007 (the “Alnylam Cross-License”). Alnylam was granted a non-exclusive license to the Protiva intellectual property. Under the Alnylam Cross-License, Alnylam was required to make collaborative research payments at a minimum rate of US$2,000,000 per annum for the provision of the Company’s research staff. The research collaboration under the Alnylam Cross-License expired on August 13, 2009.

Research and development collaboration with Alnylam

Up until December 31, 2008, Alnylam was making collaborative agreement payments to both Tekmira and Protiva. Effective January 1, 2009, all collaborative research with Alnylam is performed under the Alnylam Cross-License and manufacturing is performed under a manufacturing agreement (the “Alnylam Manufacturing Agreement”). Under the Alnylam Manufacturing Agreement the Company continues to be 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 pays the Company for the provision of staff and for external costs incurred. Time charged to Alnylam is at a fixed rate and under the Alnylam Manufacturing Agreement there is a contractual minimum for the provision of staff of $11,200,000 over the three years commencing January 1, 2009.

Licensing fees and milestone payments

In 2007, under the Alnylam License and Collaboration, the Company received 361,990 newly issued shares of Alnylam common stock which the Company sold for the net amount of $8,938,867 (US$7,594,619) and a subsequent cash payment of $475,720 (US$405,381) to bring the total up-front payment to $9,414,587 (US$8,000,000). Under a license agreement with the University of British Columbia (“UBC”), the Company made a milestone payment of $941,459, in respect of the up-front payment from Alnylam. In accordance with the Company’s revenue recognition policy, the up-front payment of $9,414,587 and the milestone payment to UBC of $941,459, were deferred and were amortized on a straight-line basis to licensing fee revenue and expense respectively to December 31, 2008, the period over which the Company provided research support under the Alnylam License and Collaboration.

Alnylam has provided non-exclusive access to the Company’s lipid nanoparticle intellectual property to F. Hoffman-La Roche Ltd (“Roche”) and Takeda Pharmaceutical Company Limited (“Takeda”). The Company is eligible to receive up to US$16,000,000 in milestone payments for each RNAi therapeutic advanced by Alnylam or its partners. The Company is also eligible for royalties on product sales. These milestones and royalties will pass through Alnylam. Of the US$16,000,000 potential milestone payments, US$4,500,000 relate to pre-regulatory approval milestones and US$11,500,000 relate to the milestones of regulatory approval and cumulative product sales of over US$500,000,000.

In the year ended December 31, 2010 the Company received a $514,129 (US$500,000) milestone payment from Alnylam in respect of the initiation of Alnylam’s ALN-TTR01 Phase 1 human clinical trial. In the year ended December 31, 2009, the Company received a $596,500 (US$500,000) milestone payment from Alnylam in respect of the initiation of Alnylam’s ALN-VSP Phase 1 human clinical trial.

(b) Contract with U.S. Government to develop TKM-Ebola

On July 14, 2010, the Company signed a contract with the United States Government 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, which is expected to last approximately three years and is funded as part of the Transformational Medical Technologies program, the Company is eligible to receive up to US$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.

The U.S. Government 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 US$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. If the contract is not completed as originally budgeted then the incentive fee may be increased or decreased.

(c) Roche collaboration

On May 11, 2009 the Company announced a product development agreement with Roche (the “Roche Product Development Agreement”). Under the Roche Product Development Agreement Roche was to pay the Company up to US$8,800,000 to support the advancement of each Roche RNAi product candidate using the Company’s lipid nanoparticle technology through to the filing of an Investigational New Drug (“IND”) application.

Under the Roche Product Development Agreement Roche is paying the Company for the provision of staff and for external costs incurred. The Company is recognizing revenue in proportion to the services provided up to the reporting date by comparing actual hours spent to estimated total hours for each product under the contract. Revenue from external costs incurred on Roche product candidates is recorded in the period that Roche was invoiced for those costs. The difference between service revenue recognized and cash received is recorded in the Company's balance sheet as deferred revenue.

On November 17, 2010, Roche announced that, as part of a corporate restructuring, they intend to discontinue research and development in the field of RNAi. Following the announcement Roche confirmed that, except for completing some product stability studies, they would be discontinuing product development with the Company. As at December 31, 2010, the Company retained a deferred revenue balance sufficient to cover the cost of completing those stability studies.

Under a separate February 11, 2009 research agreement with Roche the Company received $923,151 (US$765,000) that was recorded as revenue in 2009.

(d) Bristol-Myers Squibb collaboration

On May 10, 2010 the Company announced the expansion of its research collaboration with Bristol-Myers Squibb Company ("Bristol-Myers Squibb"). Under the new agreement, Bristol-Myers Squibb will use small interfering RNA ("siRNA") molecules formulated by the Company in lipid nanoparticles ("LNPs") to silence target genes of interest. Bristol-Myers Squibb will conduct 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 $3,233,400 (US$3,000,000) from Bristol-Myers Squibb concurrent with the signing of the agreement and recorded the amount as deferred revenue. The Company will be required to provide a pre-determined number of LNP batches over the four-year agreement. Bristol-Myers Squibb will have a first right to negotiate a licensing agreement on certain RNAi products developed by the Company that evolve from Bristol-Myers Squibb validated gene targets.

Revenue from the May 10, 2010 agreement with Bristol-Myers Squibb is being recognized as the Company produces the related LNP batches.

(e) Other RNAi collaborators

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

(f) Agreements with Talon Therapeutics, Inc. ("Talon", formerly Hana Biosciences, Inc.) and related contingent obligation

On May 6, 2006, the Company signed a number of agreements with Talon including the grant of worldwide licenses (the "Talon License Agreement") for three of the Company's chemotherapy products, Marqibo®, Alocrest™ (formerly INX-0125, Optisomal Vinorelbine) and Brakiva™ (formerly INX-0076, Optisomal Topotecan).

On May 27, 2009, the Talon License Agreement was amended to decrease the size of near-term milestone payments and increase the size of long-term milestone payments. On September 20, 2010, the Talon License Agreement was amended a second time such that Talon paid $5,916,750 (US$5,750,000) in consideration for reducing certain future payments associated with the product candidates. The payment of $5,916,750 has been recorded as license amendment revenue. The Company is now eligible for future Talon milestones of up to US$19,000,000 upon achievement of further development and regulatory milestones and is also eligible to receive royalties on product sales. If Talon sublicenses any of the product candidates, Tekmira is eligible to receive a percentage of any upfront fees or milestone payments received by Talon.

The Company had a contingent obligation that arose through a Purchase and Settlement Agreement dated June 20, 2006 whereby the Company retired exchangeable and development notes in exchange for contingent consideration including certain future milestone and royalty payments from Talon. Concurrent with signing the second amendment of the Talon License Agreement the Company signed a Waiver and Release with certain contingent creditors, the "Former Noteholders". The balance of the contingent obligation related to the Talon milestones and royalties immediately prior to signing the Waiver and Release was US$22,835,476. As per the terms of the Waiver and Release the Company paid the Former Noteholders $5,916,750 (US$5,750,000) in full settlement of the contingent obligation and recorded the payment as a loss on the purchase and settlement of the exchangeable and development notes. The Company has no further obligation to the Former Noteholders and will retain any future milestones or royalties received from Talon.

(g) Aradigm Corporation ("Aradigm")

The Company entered into a licensing agreement with Aradigm on December 8, 2004 under which Aradigm licensed certain of the Company's technology. Under this agreement, the Company is eligible to receive up to US$4,750,000 in milestone payments for each disease indication, to a maximum of two, pursued by Aradigm as well as royalties on product revenue resulting from products utilizing the licensed technology. The milestone payments are only payable twice regardless of the number of disease indications pursued.

In 2007 the Company recorded a US$250,000 payment from Aradigm. The Company has not received any subsequent payments from Aradigm.

(h) License agreement with Merck & Co., Inc. (“Merck”)

As a result of the acquisition of Protiva 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 US$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 US$15,000,000 in milestones. Merck will also pay royalties on product sales. The license agreement with Merck was entered into as part of a settlement of litigation between Protiva and a Merck subsidiary.

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

5. Property and equipment

December 31, 2010	Cost	Accumulated depreciation and impairment	Net book value
Laboratory equipment	$ 7,668,582	$ (6,554,699)	$1,113,883
Leasehold improvements	7,256,186	(5,730,396)	1,525,790
Computer and office equipment	3,080,100	(2,621,522)	458,578
Furniture and fixtures	664,029	(648,864)	15,165
	$18,668,897	$(15,555,481)	$3,113,416

December 31, 2009	Cost	Accumulated depreciation and impairment	Net book value
Laboratory equipment	$ 7,352,191	$ (6,116,631)	$1,235,560
Leasehold improvements	5,671,752	(4,377,986)	1,293,766
Computer and office equipment	3,248,679	(2,478,688)	769,991
Furniture and fixtures	662,242	(640,518)	21,724
	$16,934,864	$(13,613,823)	$3,321,041

6. Share capital

(a) Authorized

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

(b) Consolidation of common shares

On November 4, 2010 the Company’s common shares were consolidated on a basis of five current common shares for one new common share. All references to common stock, common shares outstanding, average number of common shares outstanding, per share amounts and options in these financial statements and notes thereto have been restated to reflect the common stock consolidation on a retroactive basis.

(c) Stock-based compensation

The Company has two stock option plans, the 1996 Stock Option Plan and a Protiva Option Plan.

1996 Stock Option Plan

Under the Company’s 1996 Stock Option Plan the Board of Directors may grant options to employees and directors. 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.

Concurrent with the announcement of the acquisition of Protiva on March 28, 2008, the Company’s Board approved the accelerated vesting of all options outstanding under the Company’s 1996 Share Option Plan such that all options outstanding at that date became fully vested and exercisable. Any stock based compensation expense not yet recognized with respect to the options with accelerated vesting was recognized on May 30, 2008, the date that Protiva was acquired.

On May 28, 2008 and May 12, 2009, the shareholders of the Company approved increases to the number of shares reserved for issuance under the Company's 1996 Stock Option Plan of 297,400 and 266,200, respectively, thereby increasing the maximum common shares available under the plan to 1,369,255 of which 193,965 common shares remain available for future allocation as at December 31, 2010.

Stock option activity for the Company's 1996 Stock Option Plan

	Number of optioned common shares	Weighted average exercise price	Aggregate intrinsic value
Balance, December 31, 2007	522,699	$ 17.40	$1,205,332
Options granted	526,990	4.25	
Options exercised	(8,548)	3.50	25,550
Options forfeited, cancelled or expired	(123,456)	7.95	
Balance, December 31, 2008	917,685	11.25	32,546
Options granted	2,640	4.85	
Options exercised	(3,852)	2.05	11,515
Options forfeited, cancelled or expired	(50,845)	30.90	
Balance, December 31, 2009	865,628	10.10	705,885
Options granted	275,225	4.40	
Options exercised	(9,548)	3.63	29,320
Options forfeited, cancelled or expired	(47,873)	27.38	
Balance, December 31, 2010	1,083,432	$ 7.95	$ 756,628

Options under the 1996 Stock Option Plan expire at various dates from January 7, 2011 to December 16, 2020.

The following table summarizes information pertaining to stock options outstanding at December 31, 2010 under the Company's 1996 Stock Option Plan:

	Options outstanding December 31, 2010			Options exercisable December 31, 2010	
Range of Exercise prices	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
$1.50 to $2.80	156,236	7.9	$ 1.72	114,189	$ 1.73
$3.00 to $3.85	323,970	7.5	3.51	223,760	3.35
$4.05 to $4.67	121,213	8.8	4.67	60,786	4.66
$5.35 to $5.90	285,292	6.8	5.56	284,595	5.56
$6.45 to $8.90	118,586	6.4	6.96	100,084	6.77
$10.40 to $70.50	78,135	2.0	54.16	78,135	54.16
$1.50 to $70.50	1,083,432	7.0	$ 7.95	861,549	$ 8.96

A summary of the Company's non-vested stock option activity and related information for the year ended December 31, 2010 is as follows:

	Number of optioned common shares	Weighted average fair value
Non-vested at December 31, 2009	111,552	$ 2.05
Options granted	275,225	3.82
Options vested	(153,982)	3.04
Options forfeited	(10,912)	3.73
Non-vested at December 31, 2010	221,883	$ 3.47

The weighted average remaining contractual life for options expected to vest at December 31, 2010 was 9.0 years and the weighted average exercise price for these options was $4.02 per share.

The aggregate intrinsic value of options expected to vest as at December 31, 2010 was $175,905 (December 31, 2009 - $197,827; December 31, 2008 - $24,369).

The total fair value of options that vested during the year ended December 31, 2010 was $468,105 (2009 - $496,263; 2008 - $1,621,341).

At December 31, 2010, there were 861,549 options exercisable (December 31, 2009 – 754,076; December 31, 2008 – 681,692) with a weighted average exercise price of $1.79. The weighted average remaining contractual life of exercisable options as at December 31, 2010 was 6.5 years. The aggregate intrinsic value of options exercisable at December 31, 2010 was $573,008.

Valuation assumptions for the Company's 1996 Stock Option 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 no options will be forfeited by senior employees and that approximately 94% of its options issued to non-senior employees will ultimately vest, and based on a three year vesting period has applied an annual forfeiture rate of 2.0% to all unvested options held by non-senior employees as of December 31, 2010. 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		
	2010	2009	2008
Dividend yield	**0.0%**	0.0%	0.0%
Expected volatility	**116.9%**	144.0%	123.2%
Risk-free interest rate	**2.6%**	2.5%	2.8%
Expected average option term	**6.6 years**	5.0 years	7.2 years
Fair value of options granted	**$ 3.82**	$ 4.35	$ 3.85

Stock-based compensation expense for the Company's 1996 Stock Option 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 statements of operations and comprehensive loss as follows:

	Year ended December 31		
	2010	2009	2008
Research, development, collaborations and contracts expenses	**$533,508**	$207,234	$1,329,263
General and administrative expenses	**117,112**	58,451	443,088
Total	**$650,620**	$265,685	$1,772,351

At December 31, 2010, there remains $611,076 of unearned compensation expense related to unvested employee stock options to be recognized as expense over a weighted-average period of approximately 12 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 $0.30, were fully vested as of May 30, 2008, expire at various dates from January 22, 2011 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 1996 Stock Option Plan and the Company is not permitted to grant any further Protiva Options. To December 31, 2009, none of the Protiva Options had been exercised, forfeited or cancelled.

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
Balance, December 31, 2008 and 2009	519,073	350,457	$ 0.30
Options exercised	(850)	(574)	0.30
Options forfeited, cancelled or expired	—	—	0.30
Balance, December 31, 2010	518,223	349,883	$ 0.30

The weighted average remaining contractual life of exercisable Protiva Options as at December 31, 2010 was 4.7 years.

The aggregate intrinsic value of Protiva Options outstanding at December 31, 2010 was $1,469,509. The intrinsic value of Protiva Options exercised in the year ended December 31, 2010 was $2,688 (2009 - $nil; 2008 - $nil).

7. Government grants and refundable investment tax credits

Government grants and refundable investment tax credits have been netted against research and development expenses.

Government grants for the year ended December 31, 2010 include $191,194 in funding from the US Army Medical Research Institute for Infectious Diseases (2009 - $775,292; 2008 - $239,031).

The Company's estimated claim for refundable Scientific Research and Experimental Development investment tax credits for the year ended December 31, 2010 is $196,556 (2009 - $139,502; 2008 - $128,758).

8. Termination and restructuring expenses

In May 2008, as a condition of closing the business combination with Protiva (note 3) the employment contract of the Company's previous Chief Executive Officer was terminated and an expense of $1,984,266 was recorded. The termination sum was paid out as salary continuance until August 31, 2010. There was no remaining unpaid balance as at December 31, 2010 (December 31, 2009 - $608,550; December 31, 2008 - $1,484,757).

In October 2008, as part of the integration of the operations of Tekmira and Protiva, the Company completed a restructuring that resulted in a reduction in workforce of 15 employees. The Company recorded an expense of $1,188,278 in respect of these 15 employees. As at December 31, 2010 there was no remaining unpaid balance (December 31, 2009 - $5,284; December 31, 2008 - $235,393).

9. 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 28.5% (year ended December 31, 2009 – 30.0%; 2008 – 31.0%) to the loss before income taxes as shown in the following tables:

	Year ended December 31		
	2010	2009	2008
Computed taxes (recoveries) at Canadian federal and provincial tax rates	**$(3,538,412)**	$(2,624,747)	$(9,275,325)
Difference due to change in enacted tax rates	**—**	635,462	237,731
Permanent and other differences	**1,409,918**	927,938	(200,276)
Change in valuation allowance	**2,880,000**	1,061,347	9,237,870
Utilization of non-capital loss carryforwards	**(751,506)**	—	—
Income tax (recovery) expense	**$ —**	$ —	$ —

As at December 31, 2010, the Company has investment tax credits available to reduce Canadian federal income taxes of $9,277,707 (December 31, 2009 - $5,304,810) and provincial income taxes of $4,470,380 (December 31, 2009 - $2,781,784) and expiring between 2011 and 2030.

At December 31, 2010, the Company has scientific research and experimental development expenditures of $44,061,609 (December 31, 2009 - $27,483,678) available for indefinite carry-forward and $18,991,636 (December 31, 2009 - $23,758,157) of net operating losses due to expire between 2015 and 2030 and which can be used to offset future taxable income in Canada.

Significant components of the Company's future tax assets are shown below:

	December 31	
	2010	2009
Future tax assets:		
Non-capital loss carry-forwards	**$ 4,088,000**	$ 5,940,000
Research and development deductions	**11,015,000**	6,871,000
Book amortization in excess of tax	**2,938,000**	3,436,000
Share issue costs	**146,000**	213,000
Revenue recognized for tax purposes in excess of revenue recognized for accounting purposes	**1,034,000**	291,000
Tax value in excess of accounting value in lease inducements	**87,000**	124,000
Provincial investment tax credits	**1,082,000**	629,000
Accounting value in excess of tax value in intangible assets	**75,000**	81,000
Total future tax assets	**20,465,000**	17,585,000
Valuation allowance	**(20,465,000)**	(17,585,000)
Net future tax assets	**$ —**	$ —

Under a Plan of Arrangement (Note 2) completed on April 30, 2007, Inex's non-capital losses and scientific research and experimental development pool of undeducted expenditures as well as the federal non-refundable investment tax credits generated from the business through April 30, 2007 are not available to the Company. The balances at December 31, 2010 represent the balances available to the Company.

The potential income tax benefits relating to the future tax assets shown in the table have not been recognized in the accounts as their realization does not meet the requirements of "more likely than not" under the liability method of tax allocation. Accordingly, no future tax assets have been recognized as at December 31, 2010 and December 31, 2009.

10. Commitments and contingencies

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.

Following the lease amendment the minimum commitment, contracted sub-lease income and net commitment for rent and estimated operating costs, are as follows:

	Lease commitment	Sub-lease income	Net commitment
Year ended December 31, 2011	$1,285,000	$(194,000)	$1,091,000
Year ended December 31, 2012	1,285,000	(186,000)	1,099,000
Year ended December 31, 2013	1,285,000	—	1,285,000
Year ended December 31, 2014	750,000	—	750,000
	$4,605,000	$(380,000)	$4,225,000

The Company's lease expense, net of sub-lease income, for the year ended December 31, 2010 of $931,606 has been recorded in the consolidated statements of operations and comprehensive loss in research, development, collaborations and contracts and general and administrative expenses (2009 - $1,008,290; 2008 - $1,447,850).

The Company has netted $194,281 of sub-lease income against lease expense in the year ended December 31, 2010 (year ended December 31, 2009 - $191,376; 2008 - $208,518).

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 $9,329,912. As at December 31, 2010, a cumulative contribution of $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 royalties of between 0.375% and 5% on the share of future product revenue, if any, for Marqibo that is received by the Company. To December 31, 2010 the Company has not made any royalty payments to TPC.

Contingently payable promissory notes

The Company has a contingent liability of US$12,000,000 in regard to certain promissory notes and has a related, equal and offsetting contingent asset receivable from a third party as described in note 3.

11. Related party transactions

Research, development, collaborations and contracts expenses in the year December 31, 2009 include $44,415 of contract research costs, measured at the cash amount and incurred in the normal course of operations with Ricerca Biosciences, LLC (“Ricerca”) whose Chief Executive Officer is also a director of the Company (year ended December 31, 2010 - $nil; year ended December 31, 2008 - $nil). There was no balance in accounts payable and accrued liabilities at December 31, 2010 in respect of Ricerca (December 31, 2009 - $nil). There were no related party transactions in the year ended December 31, 2010.

12. 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. Accounts receivable from the U.S. Government as at December 31, 2010 were $2,031,980 and represent 61% of total accounts receivable as at that date (December 31, 2009 - $nil). Accounts receivable from Alnylam as at December 31, 2010 were $836,655 and represent 20% of total accounts receivable as at that date (December 31, 2009 - $398,658 and 38%).

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, 2010 was the accounts receivable balance of $3,318,729 (December 31, 2009 - $1,052,895).

The aging of accounts receivable at the reporting date was:

	December 31	
	2010	2009
Current	**$3,318,729**	$ 898,859
Past due 0-30 days	**—**	154,036
	$3,318,729	$1,052,895

Significant collaborators and customers risk

We depend on a small number of collaborators and customers for a significant portion of our revenues (see note 4).

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, cash equivalents and short-term investments funds available less accounts payable and accrued liabilities.

	December 31	
	2010	2009
Cash, cash equivalents and short term investments	**$12,346,010**	$24,397,740
Less: Accounts payable and accrued liabilities	**(6,151,923)**	(5,653,827)
	$ 6,194,087	$18,743,913

Foreign currency risk

The Company's revenues and operating expenses are denominated in both Canadian and US dollars so the results of the Company's operations are subject to currency transaction and translation risk.

The operating results and financial position of the Company are reported in Canadian dollars in the Company's financial statements. 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 and the amount of shareholders' equity.

The Company manages its US dollar exchange rate risk by using cash received from US dollar revenues to pay US dollar expenses and by limiting its holdings of US dollar cash and cash equivalent balances to working capital levels. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

The Company's exposure to US dollar currency expressed in Canadian dollars was as follows:

	December 31	
	2010	2009
Cash and cash equivalents	**$ 1,067,205**	$ 293,027
Accounts receivable	**2,042,065**	520,892
Accounts payable and accrued liabilities	**(3,485,715)**	(1,765,874)
	$ (376,445)	$ (951,955)

An analysis of the Company's sensitivity to foreign currency exchange rate movements is not provided in these financial statements as a large proportion of the Company's foreign currency purchases are reimbursed by collaborators and customers so mitigates the Company's foreign currency risk.

13. Supplementary information

Accounts payable and accrued liabilities is comprised of the following:

	December 31	
	2010	2009
Trade accounts payable	**$3,035,273**	$2,090,672
Research and development accruals	**1,241,630**	1,246,053
Professional fee accruals	**1,030,405**	548,551
Executive termination cost accrual	**—**	608,550
Restructuring cost accruals	**34,999**	40,283
Deferred lease inducements	**346,098**	495,229
Other accrued liabilities	**463,518**	624,489
	$6,151,923	$5,653,827

14. Subsequent event

(a) On March 16, 2011, the Company announced that it had filed a complaint against Alnylam Pharmaceuticals, Inc. for misappropriation and misuse of trade secrets, know-how and other confidential information, unfair and deceptive trade practices, unjust enrichment, unfair competition and false advertising. The suit, filed in the Business Litigation Session of the Massachusetts Superior Court, alleges Alnylam exploited its confidential relationship as a collaborator with the Company to engage in inappropriate and harmful conduct concerning the Company's proprietary lipid nanoparticle siRNA delivery technology, resulting in damage to the Company's intellectual property and business interests.

(b) On April 6, 2011, Alnylam filed an answer to the Company's complaint denying its claims and filed a counterclaim asserting breach of contract, defamation, breach of covenant not to sue and breach of patent prosecution and non-use provisions. Alnylam is seeking dismissal of the Company's claim as well as damages and equitable relief.

(c) On June 3, 2011, the Company filed an amended complaint against Alnylam. The Company's amended complaint adds new claims alleging breach of contract, breach of the implied covenant of good faith and fair dealing, tortious interference with contractual relationships, and civil conspiracy. The amended complaint also adds AlCana Technologies, Inc. (Alcana) as a defendant and asserts claims alleging misappropriation of trade secrets, tortious interference with contractual relations, unjust enrichment, unfair and deceptive acts and trade practices, and civil conspiracy against AlCana. The Company is seeking damages based on Alnylam's conduct as alleged in the amended complaint including termination of Alnylam's license to the Company's technology.

15. Reconciliation of Generally Accepted Accounting Principles (GAAP)

The Company prepares its consolidated financial statements in accordance with U.S. GAAP, which, as applied in these consolidated financial statements, conform in all material respects to Canadian GAAP, except as summarized below:

Reconciliation of net loss and comprehensive loss

The application of Canadian GAAP would have the following effects on the net loss and comprehensive loss as reported:

	Year ended December 31		
	2010	2009	2008
Net loss and comprehensive loss for the period, U.S. GAAP	**$(12,415,480)**	$(8,749,157)	$(29,920,403)
Adjustment for in–process research and development	**(1,015,750)**	(1,015,750)	15,659,479
Net loss and comprehensive loss for the period, Canadian GAAP	**$(13,431,230)**	$(9,764,907)	$(14,260,924)
Basic and diluted loss per common share, Canadian GAAP	**$ (1.30)**	$ (0.95)	$ (1.76)

The application of Canadian GAAP would have the following effects on the balance sheet as reported:

Intangible assets

	December 31		
	2010	2009	2008
Intangible assets, U.S. GAAP	**$ —**	$ —	$ —
Adjustments for in–process research and development	**13,627,979**	14,643,729	15,659,479
Intangible assets, Canadian GAAP	**$ 13,627,979**	$ 14,643,729	$ 15,659,479

Deficit

	December 31		
	2010	2009	2008
Deficit, U.S. GAAP	**$(248,910,761)**	$(236,495,281)	$(227,746,124)
Adjustment for in–process research and development	**13,627,979**	14,643,729	15,659,479
Deficit, Canadian GAAP	**$(235,282,782)**	$(221,851,552)	$(212,086,645)

Under Canadian GAAP, the in-process research and development acquired from Protiva on May 30, 2008 would be recorded on the Company's Balance Sheet as intangible assets and would be amortized over its estimated useful life of 16 years. Under U.S. GAAP, the in-process research and development acquired from Protiva was expensed at the time of acquisition as it has no alternative future use.

Other disclosures require by Canadian GAAP

Capital Disclosures

The Company's board of directors' ("Board") policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management defines capital as the Company's total shareholders' equity. To maintain the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or structure collaborative and license agreements in a particular way. The Company has not yet attained sustainable profitable operations, therefore the Board has not established quantitative return on capital criteria for management.

As of December 31, 2010 the Company's total equity was $10,732,578 (2009 - $22,462,525).

In the year ended December 31, 2010, total equity decreased 52% and in the year ended December 31, 2009, total equity decreased 27%, in both cases due to an increase in deficit. There were no changes in the Company's approach to capital management during the year ended December 31, 2010 or the year ended December 31, 2009. The Company is not subject to externally imposed capital requirements.

Interest rate risk

The Company invests its cash reserves in bankers' acceptances and high interest savings accounts issued by major Canadian banks. The Company's audit committee approves a list of acceptable investments on a quarterly basis. A 100 basis point decrease in the interest rate would have resulted in the Company earning no interest and an increase in net losses of $151,973 for the year ended December 31, 2010. A 100 basis point increase in interest rates would have resulted in a decrease in net losses of $151,973. This analysis assumes that all other variables, in particular interest rates, remain constant.

At December 31, 2010, the Company's cash equivalents held in bankers' acceptances and high interest savings accounts bore a weighted average interest rate of 1.2% (December 31, 2009 – 0.4%).

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

TEKMIRA PHARMACEUTICALS CORPORATION

/s/ Mark J. Murray
Name: Mark J. Murray
Title: President and Chief Executive Officer

Date: June 3, 2011

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INDEX TO THE EXHIBITS

Exhibit Number	Description
1.1	Notice of Articles and Articles of the Company
2.1	Subscription Agreement, between the Company and Alnylam Pharmaceuticals, Inc., dated March 28, 2008
2.2	Subscription Agreement, between the Company and Roche Finance Ltd., dated March 31, 2008
4.1†	Amendment No. 1 to the Amended and Restated Agreement, between the Company (formerly Inex Pharmaceuticals Corporation) and Hana Biosciences, Inc., effective as of May 27, 2009
4.2†	Amended and Restated License Agreement, between Inex Pharmaceuticals Corporation and Hana Biosciences, Inc, dated April 30, 2007
4.3†	Sublicense Agreement, between Inex Pharmaceuticals Corporation and Alnylam Pharmaceuticals, Inc., dated January 8, 2007
4.4†	Amended and Restated License and Collaboration Agreement, between the Company and Alnylam Pharmaceuticals, Inc., effective as of May 30, 2008
4.5†	Amended and Restated Cross-License Agreement, between Alnylam Pharmaceuticals, Inc. and Protiva Biotherapeutics Inc., dated May 30, 2008
4.6†	License Agreement, between Inex Pharmaceuticals and Aradigm Corporation, dated December 8, 2004
4.7†	Settlement Agreement, between Sirna Therapeutics, Inc. and Merck & Co., Inc. and Protiva Biotherapeutics Inc. and Protiva Biotherapeutics (USA), Inc., effective as of October 9, 2007
4.8†	Development, Manufacturing and Supply Agreement, between the Company and Alnylam Pharmaceuticals, Inc., dated January 2, 2009
4.9	Executive Employment Agreement with Ian Mortimer, dated March 26, 2008
4.10	Executive Employment Agreement with Ian MacLachlan, dated May 30, 2008
4.11	Executive Employment Agreement with Mark Murray, dated May 30, 2008
4.12	Executive Employment Agreement with Peter Lutwyche, dated January 1, 2009
4.13	Share Option Plan amended through May 12, 2009 (including form stock option agreements)
4.14	Lease Agreement with Canada Lands Company CLC Limited dated December 15, 1997, as amended
4.15	Form of Indemnity Agreement
4.16†	Award Contract with USASMDC/ARSTRAT effective date July 14, 2010
4.17†	License Agreement between the University of British Columbia and Inex Pharmaceuticals Corporation executed on July 30, 2001
4.18†	Amendment Agreement between the University of British Columbia and Inex Pharmaceuticals Corporation dated July 11, 2006
4.19†	Second Amendment Agreement between the University of British Columbia and Inex Pharmaceuticals Corporation dated January 8, 2007
4.20†	Consent Agreement of the University of British Columbia to Inex/Alnylam Sublicense Agreement dated January 8, 2007
4.21†	Amendment No. 2 to the Amended and Restated Agreement, between the Company (formerly Inex Pharmaceuticals Corporation) and Hana Biosciences, Inc., effective as of September 20, 2010.
8.1	List of Subsidiaries
12.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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Exhibit Number	Description
13.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of KPMG LLP

† Portions of this exhibit have been omitted based on an application for confidential treatment from the SEC. The omitted portions of these exhibits have been submitted separately with the SEC.

Exhibit 1.1

BUSINESS CORPORATIONS ACT

ARTICLES

OF

TEKMIRA PHARMACEUTICALS CORPORATION
(the "Company")

Number: BC0736983

PART 1

INTERPRETATION

Definitions

1.1 In these Articles, unless the context otherwise requires:

(a) "**board of directors**", "**directors**" and "**board**" mean the directors or sole director of the Company for the time being;

(b) "**Act**" means the *Business Corporations Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;

(c) "**Interpretation Act**" means the *Interpretation Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;

(d) "**legal personal representative**" means the personal or other legal representative of the shareholder;

(e) "**registered address**" of a shareholder means the shareholder's address as recorded in the central securities register;

(f) "**seal**" means the seal of the Company, if any;

(g) "**share**" means a share in the share structure of the Company; and

(h) "**special majority**" means the majority of votes described in §11.2 which is required to pass a special resolution.

Act and Interpretation Act Definitions Applicable

1.2 The definitions in the Act and the definitions and rules of construction in the Interpretation Act, with the necessary changes, so far as applicable, and except as the context requires otherwise, apply to these Articles as if they were an enactment. If there is a conflict between a definition in the Act and a definition or rule in the Interpretation Act relating to a term used in these Articles, the definition in the Act will prevail. If there is a conflict or inconsistency between these Articles and the Act, the Act will prevail.

Section References

1.3 The symbol § followed by a number or some combination of numbers and letters refers to the section, paragraph, subparagraph, clause or subclause of these Articles so designated.

PART 2

SHARES AND SHARE CERTIFICATES

Authorized Share Structure

2.1 The authorized share structure of the Company consists of shares of the class or classes and series, if any, described in the Notice of Articles of the Company.

Form of Share Certificate

2.2 Each share certificate issued by the Company must comply with, and be signed as required by, the Act.

Shareholder Entitled to Certificate or Acknowledgment

2.3 Each shareholder is entitled, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder's name or (b) a non-transferable written acknowledgment of the shareholder's right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate or acknowledgment and delivery of a share certificate or an acknowledgment to one of several joint shareholders or to a duly authorized agent of one of the joint shareholders will be sufficient delivery to all.

Delivery by Mail

2.4 Any share certificate or non-transferable written acknowledgment of a shareholder's right to obtain a share certificate may be sent to the shareholder by mail at the shareholder's registered address and neither the Company nor any director, officer or agent of the Company is liable for any loss to the shareholder because the share certificate or acknowledgement is lost in the mail or stolen.

Replacement of Worn Out or Defaced Certificate or Acknowledgement

2.5 If a share certificate or a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate is worn out or defaced, the Company must, on production of the share certificate or acknowledgment, as the case may be, and on such other terms, if any, as are deemed fit:

(a) cancel the share certificate or acknowledgment; and

(b) issue a replacement share certificate or acknowledgment.

Replacement of Lost, Stolen or Destroyed Certificate or Acknowledgment

2.6 If a share certificate or a non-transferable written acknowledgment of a shareholder's right to obtain a share certificate is lost, stolen or destroyed, the Company must issue a replacement share certificate or acknowledgment, as the case may be, to the person entitled to that share certificate or acknowledgment, if it receives:

(a) proof satisfactory to it of the loss, theft or destruction; and

(b) any indemnity the directors consider adequate.

Splitting Share Certificates

2.7 If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as the share certificate so surrendered, the Company must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

Certificate Fee

2.8 There must be paid to the Company, in relation to the issue of any share certificate under §2.5, §2.6 or §2.7, the amount, if any, not exceeding the amount prescribed under the Act, determined by the directors.

Recognition of Trusts

2.9 Except as required by law or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or fraction of a share or (except as required by law or statute or these Articles or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

PART 3

ISSUE OF SHARES

Directors Authorized

3.1 Subject to the Act and the rights, if any, of the holders of issued shares of the Company, the Company may allot, issue, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the consideration (including any premium at which shares with par value may be issued) that the directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share.

Commissions and Discounts

3.2 The Company may at any time pay a reasonable commission or allow a reasonable discount to any person in consideration of that person's purchase or agreement to purchase shares of the Company from the Company or any other person's procurement or agreement to procure purchasers for shares of the Company.

Brokerage

3.3 The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

Share Purchase Warrants and Rights

3.4 Subject to the Act, the Company may issue share purchase warrants, options and rights upon such terms and conditions as the directors determine, which share purchase warrants, options and rights may be issued alone or in conjunction with debentures, debenture stock, bonds, shares or any other securities issued or created by the Company from time to time.

PART 4

SHARE REGISTERS

Central Securities Register

4.1 As required by and subject to the Act, the Company must maintain in British Columbia a central securities register and may appoint an agent to maintain such register. The directors may appoint one or more agents, including the agent appointed to keep the central securities register, as transfer agent for shares or any class or series of shares and the same or another agent as registrar for shares or such class or series of shares, as the case may be. The directors may terminate such appointment of any agent at any time and may appoint another agent in its place.

PART 5

SHARE TRANSFERS

Registering Transfers

5.1 A transfer of a share must not be registered unless the Company or the transfer agent or registrar for the class or series of shares to be transferred has received:

(a) except as exempted by the Act, a duly signed proper instrument of transfer in respect of the share;

(b) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate;

(c) if a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, that acknowledgment; and

(d) such other evidence, if any, as the Company or the transfer agent or registrar for the class or series of share to be transferred may require to prove the title of the transferor or the transferor's right to transfer the share, the due signing of the instrument of transfer and the right of the transferee to have the transfer registered.

Form of Instrument of Transfer

5.2 The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates of that class or series or in some other form that may be approved by the directors.

Transferor Remains Shareholder

5.3 Except to the extent that the Act otherwise provides, the transferor of a share is deemed to remain the holder of it until the name of the transferee is entered in a securities register of the Company in respect of the transfer.

Signing of Instrument of Transfer

5.4 If a shareholder, or his or her duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share certificates or set out in the written acknowledgments deposited with the instrument of transfer:

(a) in the name of the person named as transferee in that instrument of transfer; or

(b) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

Enquiry as to Title Not Required

5.5 Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares transferred, of any interest in such shares, of any share certificate representing such shares or of any written acknowledgment of a right to obtain a share certificate for such shares.

Transfer Fee

5.6 There must be paid to the Company, in relation to the registration of a transfer, the amount, if any, determined by the directors.

PART 6

TRANSMISSION OF SHARES

Legal Personal Representative Recognized on Death

6.1 In case of the death of a shareholder, the legal personal representative of the shareholder, or in the case of shares registered in the shareholder's name and the name of another person in joint tenancy, the surviving joint holder, will be the only person recognized by the Company as having any title to the shareholder's interest in the shares. Before recognizing a person as a legal personal representative of a shareholder, the directors may require proof of appointment by a court of competent jurisdiction, a grant of letters probate, letters of administration or such other evidence or documents as the directors consider appropriate.

Rights of Legal Personal Representative

6.2 The legal personal representative of a shareholder has the same rights, privileges and obligations that attach to the shares held by the shareholder, including the right to transfer the shares in accordance with these Articles, provided the documents required by the Act and the directors have been deposited with the Company. This §6.2 does not apply in the case of the death of a shareholder with respect to shares registered in the name of the shareholder and the name of another person in joint tenancy.

PART 7

PURCHASE OF SHARES

Company Authorized to Purchase Shares

7.1 Subject to §7.2, to the special rights and restrictions attached to the shares of any class or series and to the Act, the Company may, if authorized by the directors, purchase or otherwise acquire any of its shares at the price and upon the terms determined by the directors.

Purchase When Insolvent

7.2 The Company must not make a payment or provide any other consideration to purchase or otherwise acquire any of its shares if there are reasonable grounds for believing that:

(a) the Company is insolvent; or

(b) making the payment or providing the consideration would render the Company insolvent.

Sale and Voting of Purchased Shares

7.3 If the Company retains a share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it:

(a) is not entitled to vote the share at a meeting of its shareholders;

(b) must not pay a dividend in respect of the share; and

(c) must not make any other distribution in respect of the share.

Company Entitled to Purchase or Redeem Share Fractions

7.4 The Company may, without prior notice to the holders, purchase or redeem for fair value any and all outstanding share fractions of any class or kind of shares in its authorized share structure as may exist at any time and from time to time. Upon the Company delivering the purchase funds and confirmation of purchase or redemption of the share fractions to the holders' registered or last known address, or if the Company has a transfer agent then to such agent for the benefit of and forwarding to such holders, the Company will thereupon amend its central securities register to reflect the purchase or redemption of such share fractions and if the Company has a transfer agent, will direct the transfer agent to amend the central securities register accordingly. Any holder of a share fraction, who upon receipt of the funds and confirmation of purchase or redemption of same, disputes the fair value paid for the fraction, will have the right to apply to the court to request that it set the price and terms of payment and make consequential orders and give directions the court considers appropriate, as if the Company were the "acquiring person" as contemplated by Division 6, Compulsory Acquisitions, under the Act

and the holder were an “offeree” subject to the provisions contained in such Division, *mutatis mutandis*.

PART 8

BORROWING POWERS

8.1 The Company, if authorized by the directors, may:

(a) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that they consider appropriate;

(b) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as the directors consider appropriate;

(c) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and

(d) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

8.2 The powers conferred under this Part 8 will be deemed to include the powers conferred on a company by Division VII of the *Special Corporations Powers Act* being chapter P–16 of the Revised Statutes of Quebec, 1988, and every statutory provision that may be substituted therefor or for any provision therein.

PART 9

ALTERATIONS

Alteration of Authorized Share Structure

9.1 Subject to §9.2 and the Act, the Company may by ordinary resolution (or a resolution of the directors in the case of §9.1(c) or §9.1(f)):

(a) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;

(b) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;

(c) subdivide or consolidate all or any of its unissued, or fully paid issued, shares;

(d) if the Company is authorized to issue shares of a class of shares with par value:

(i) decrease the par value of those shares; or

(ii) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;

(e) change all or any of its unissued, or fully paid issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;

(f) alter the identifying name of any of its shares; or

(g) otherwise alter its shares or authorized share structure when required or permitted to do so by the Act where it does not specify by a special resolution;

and, if applicable, alter its Notice of Articles and, if applicable, its Articles accordingly.

Special Rights and Restrictions

9.2 Subject to the Act and in particular those provisions of the Act relating to the rights of holders of outstanding shares to vote if their rights are prejudiced or interfered with, the Company may by ordinary resolution:

(a) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; or

(b) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued,

and alter its Notice of Articles and Articles accordingly.

Change of Name

9.3 The Company may by resolution of the directors authorize an alteration of its Notice of Articles in order to change its name or adopt or change any translation of that name.

Other Alterations

9.4 If the Act does not specify the type of resolution and these Articles do not specify another type of resolution, the Company may by ordinary resolution alter these Articles.

PART 10

MEETINGS OF SHAREHOLDERS

Annual General Meetings

10.1 Unless an annual general meeting is deferred or waived in accordance with the Act, the Company must hold an annual general meeting at least once in each calendar year and not more than 15 months after its last annual general meeting.

Calling of Meetings of Shareholders

10.2 The directors may, at any time, call a meeting of shareholders.

Notice for Meetings of Shareholders

10.3 The Company must send notice of the date, time and location of any meeting of shareholders (including, without limitation, any notice specifying the intention to propose a resolution as an exceptional resolution, a special resolution or a special separate resolution, and any notice to consider approving an amalgamation into a foreign jurisdiction, an arrangement or the adoption of an amalgamation agreement, and any notice of a general meeting, class meeting or series meeting), in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless these Articles otherwise provide, at least 21 days before the meeting.

Record Date for Notice

10.4 The directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the Act, by more than four months. The record date must not precede the date on which the meeting is held by fewer than 21 days. If no record date is set, the record date is 5:00 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

Record Date for Voting

10.5 The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the Act, by more than four months. If no record date is set, the record date is 5:00 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

Failure to Give Notice and Waiver of Notice

10.6 The accidental omission to send notice of any meeting of shareholders to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive that entitlement or may agree to reduce the period of that notice. Attendance of a person at a meeting of shareholders is a waiver of entitlement to notice of the meeting unless that person attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

Notice of Special Business at Meetings of Shareholders

10.7 If a meeting of shareholders is to consider special business within the meaning of §11.1, the notice of meeting must:

(a) state the general nature of the special business; and

(b) if the special business includes considering, approving, ratifying, adopting or authorizing any document or the signing of or giving of effect to any document, have attached to it a copy of the document or state that a copy of the document will be available for inspection by shareholders:

(i) at the Company's records office, or at such other reasonably accessible location in British Columbia as is specified in the notice; and

(ii) during statutory business hours on any one or more specified days before the day set for the holding of the meeting.

Place of Meetings

10.8 In addition to any location in British Columbia, any general meeting may be held in any location outside British Columbia approved by a resolution of the directors.

PART 11

PROCEEDINGS AT MEETINGS OF SHAREHOLDERS

Special Business

11.1 At a meeting of shareholders, the following business is special business:

(a) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of or voting at the meeting; and

(b) at an annual general meeting, all business is special business except for the following:

(i) business relating to the conduct of or voting at the meeting;

(ii) consideration of any financial statements of the Company presented to the meeting;

(iii) consideration of any reports of the directors or auditor;

(iv) the setting or changing of the number of directors;

(v) the election or appointment of directors;

(vi) the appointment of an auditor;

(vii) the setting of the remuneration of an auditor;

(viii) business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution; and

(ix) any other business which, under these Articles or the Act, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

Special Majority

11.2 The majority of votes required to pass a special resolution at a general meeting of shareholders is two-thirds of the votes cast on the resolution.

Quorum

11.3 Subject to the special rights and restrictions attached to the shares of any class or series of shares, and to §11.4, the quorum for the transaction of business at a meeting of shareholders is at least two people who are, or who represent by proxy, one or more shareholders who, in the aggregate, hold at least five percent (5%) of the issued shares entitled to be voted at the meeting.

One Shareholder May Constitute Quorum

11.4 If there is only one shareholder entitled to vote at a meeting of shareholders:

(a) the quorum is one person who is, or who represents by proxy, that shareholder; and

(b) that shareholder, present in person or by proxy, may constitute the meeting.

Persons Entitled to Attend Meeting

11.5 In addition to those persons who are entitled to vote at a meeting of shareholders, the only other persons entitled to be present at the meeting are the directors, the president (if

any), the secretary (if any), the assistant secretary (if any), any lawyer for the Company, the auditor of the Company, any persons invited to be present at the meeting by the directors or by the chair of the meeting and any persons entitled or required under the Act or these Articles to be present at the meeting; but if any of those persons does attend the meeting, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

Requirement of Quorum

11.6 No business, other than the election of a chair of the meeting and the adjournment of the meeting, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote is present at the commencement of the meeting, but such quorum need not be present throughout the meeting.

Lack of Quorum

11.7 If, within one-half hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

(a) in the case of a general meeting requisitioned by shareholders, the meeting is dissolved; and

(b) in the case of any other meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place.

Lack of Quorum at Succeeding Meeting

11.8 If, at the meeting to which the meeting referred to in §11.7(b) was adjourned, a quorum is not present within one-half hour from the time set for the holding of the meeting, the person or persons present and being, or representing by proxy, two or more shareholders entitled to attend and vote at the meeting will be deemed to constitute a quorum.

Chair

11.9 The following individual is entitled to preside as chair at a meeting of shareholders:

(a) the chair of the board, if any; or

(b) if the chair of the board is absent or unwilling to act as chair of the meeting, the president, if any.

Selection of Alternate Chair

11.10 If, at any meeting of shareholders, there is no chair of the board or president present within 15 minutes after the time set for holding the meeting, or if the chair of the board and the president are unwilling to act as chair of the meeting, or if the chair of the board and the

president have advised the secretary, if any, or any director present at the meeting, that they will not be present at the meeting, the directors present may choose either one of their number or the solicitor of the Company to be chair of the meeting. If all of the directors present decline to take the chair or fail to so choose or if no director is present or the solicitor of the Company declines to take the chair, the shareholders entitled to vote at the meeting who are present in person or by proxy may choose any person present at the meeting to chair the meeting.

Adjournments

11.11 The chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

Notice of Adjourned Meeting

11.12 It is not necessary to give any notice of an adjourned meeting of shareholders or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

Decisions by Show of Hands or Poll

11.13 Subject to the Act, every motion put to a vote at a meeting of shareholders will be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chair or demanded by any shareholder entitled to vote who is present in person or by proxy.

Declaration of Result

11.14 The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands or the poll, as the case may be, and that decision must be entered in the minutes of the meeting. A declaration of the chair that a resolution is carried by the necessary majority or is defeated is, unless a poll is directed by the chair or demanded under §11.13, conclusive evidence without proof of the number or proportion of the votes recorded in favour of or against the resolution.

Motion Need Not be Seconded

11.15 No motion proposed at a meeting of shareholders need be seconded unless the chair of the meeting rules otherwise, and the chair of any meeting of shareholders is entitled to propose or second a motion.

Casting Vote

11.16 In case of an equality of votes, the chair of a meeting of shareholders does not, either on a show of hands or on a poll, have a second or casting vote in addition to the vote or votes to which the chair may be entitled as a shareholder.

Manner of Taking Poll

11.17 Subject to §11.18, if a poll is duly demanded at a meeting of shareholders:

(a) the poll must be taken:

(i) at the meeting, or within seven days after the date of the meeting, as the chair of the meeting directs; and

(ii) in the manner, at the time and at the place that the chair of the meeting directs;

(b) the result of the poll is deemed to be the decision of the meeting at which the poll is demanded; and

(c) the demand for the poll may be withdrawn by the person who demanded it.

Demand for Poll on Adjournment

11.18 A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.

Chair Must Resolve Dispute

11.19 In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of the meeting must determine the dispute, and his or her determination made in good faith is final and conclusive.

Casting of Votes

11.20 On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.

No Demand for Poll on Election of Chair

11.21 No poll may be demanded in respect of the vote by which a chair of a meeting of shareholders is elected.

Demand for Poll Not to Prevent Continuance of Meeting

11.22 The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

Retention of Ballots and Proxies

11.23 The Company must, for at least three months after a meeting of shareholders, keep each ballot cast on a poll and each proxy voted at the meeting, and, during that period, make them available for inspection during normal business hours by any shareholder or proxyholder entitled to vote at the meeting. At the end of such three month period, the Company may destroy such ballots and proxies.

PART 12

VOTES OF SHAREHOLDERS

Number of Votes by Shareholder or by Shares

12.1 Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders under §12.3:

(a) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and

(b) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

Votes of Persons in Representative Capacity

12.2 A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting, if, before doing so, the person satisfies the chair of the meeting, or the directors, that the person is a legal personal representative or a trustee in bankruptcy for a shareholder who is entitled to vote at the meeting.

Votes by Joint Holders

12.3 If there are joint shareholders registered in respect of any share:

(a) any one of the joint shareholders may vote at any meeting of shareholders, personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or

(b) if more than one of the joint shareholders is present at any meeting of shareholders, personally or by proxy, and more than one of them votes in respect of that share, then only the vote of the joint shareholder present whose name stands first on the central securities register in respect of the share will be counted.

Legal Personal Representatives as Joint Shareholders

12.4 Two or more legal personal representatives of a shareholder in whose sole name any share is registered are, for the purposes of §12.3, deemed to be joint shareholders registered in respect of that share.

Representative of a Corporate Shareholder

12.5 If a corporation, that is not a subsidiary of the Company, is a shareholder, that corporation may appoint a person to act as its representative at any meeting of shareholders of the Company, and:

(a) for that purpose, the instrument appointing a representative must be received:

(i) at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, two business days before the day set for the holding of the meeting or any adjourned meeting; or

(ii) at the meeting or any adjourned meeting, by the chair of the meeting or adjourned meeting or by a person designated by the chair of the meeting or adjourned meeting; and

(b) if a representative is appointed under this §12.5:

(i) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the representative represents as that corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder; and

(ii) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

Evidence of the appointment of any such representative may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

Proxy Provisions Do Not Apply to All Companies

12.6 If and for so long as the Company is a public company, then §12.7 to §12.15 are not mandatory, however the directors of the Company are authorized to apply all or part of such

sections or to adopt alternative procedures for proxy form, deposit and revocation procedures to the extent that the directors deem necessary in order to comply with securities laws applicable to the Company.

Appointment of Proxy Holders

12.7 Every shareholder of the Company entitled to vote at a meeting of shareholders may, by proxy, appoint one or more (but not more than two) proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy.

Alternate Proxy Holders

12.8 A shareholder may appoint one or more alternate proxy holders to act in the place of an absent proxy holder.

Proxy Holder Need Not Be Shareholder

12.9 A proxy holder need not be a shareholder of the Company.

Deposit of Proxy

12.10 A proxy for a meeting of shareholders must:

(a) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice, or if no number of days is specified, two business days before the day set for the holding of the meeting or any adjourned meeting; or

(b) unless the notice provides otherwise, be received, at the meeting or any adjourned meeting, by the chair of the meeting or adjourned meeting or by a person designated by the chair of the meeting or adjourned meeting.

A proxy may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages, including through Internet voting or by email if permitted by the notice calling the meeting or the information circular for the meeting.

Validity of Proxy Vote

12.11 A vote given in accordance with the terms of a proxy is valid notwithstanding the death or incapacity of the shareholder giving the proxy and despite the revocation of the proxy or the revocation of the authority under which the proxy is given, unless notice in writing of that death, incapacity or revocation is received:

(a) at the registered office of the Company, at any time up to and including the last business day before the day set for the holding of the meeting or any adjourned meeting at which the proxy is to be used; or

(b) at the meeting or any adjourned meeting by the chair of the meeting or adjourned meeting, before any vote in respect of which the proxy has been given has been taken.

Form of Proxy

12.12 A proxy, whether for a specified meeting or otherwise, must be either in the following form or in any other form approved by the directors or the chair of the meeting:

[name of company]
(the "Company")

The undersigned, being a shareholder of the Company, hereby appoints [name] or, failing that person, [name], as proxy holder for the undersigned to attend, act and vote for and on behalf of the undersigned at the meeting of shareholders of the Company to be held on [month, day, year] and at any adjournment of that meeting.

Number of shares in respect of which this proxy is given (if no number is specified, then this proxy if given in respect of all shares registered in the name of the undersigned): _____

Signed [month, day, year]

_____
[Signature of shareholder]

_____
[Name of shareholder—printed]

Revocation of Proxy

12.13 Subject to §12.14, every proxy may be revoked by an instrument in writing that is received:

(a) at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting or any adjourned meeting at which the proxy is to be used; or

(b) at the meeting or any adjourned meeting, by the chair of the meeting or adjourned meeting, before any vote in respect of which the proxy has been given has been taken.

Revocation of Proxy Must Be Signed

12.14 An instrument referred to in §12.13 must be signed as follows:

(a) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative or trustee in bankruptcy; or

(b) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under §12.5.

Production of Evidence of Authority to Vote

12.15 The chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the authority to vote.

PART 13

DIRECTORS

Number of Directors

13.1 The number of directors, excluding additional directors appointed under §14.8, is set at the greater of three and the most recently set of:

(a) the number of directors set by a resolution of the directors (whether or not previous notice of the resolution was given); and

(b) the number of directors in office pursuant to §14.4.

Change in Number of Directors

13.2 If the number of directors is set under §13.1(a):

(a) the shareholders may elect or appoint the directors needed to fill any vacancies in the board of directors up to that number; or

(b) if the shareholders do not elect or appoint the directors needed to fill any vacancies in the board of directors up to that number then the directors, subject to §14.8, may appoint directors to fill those vacancies.

Directors' Acts Valid Despite Vacancy

13.3 An act or proceeding of the directors is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

Qualifications of Directors

13.4 A director is not required to hold a share as qualification for his or her office but must be qualified as required by the Act to become, act or continue to act as a director.

Remuneration of Directors

13.5 The directors are entitled to the remuneration for acting as directors, if any, as the directors may from time to time determine.

Reimbursement of Expenses of Directors

13.6 The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

Special Remuneration for Directors

13.7 If any director performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director, he or she may be paid remuneration fixed by the directors, or at the option of the directors, fixed by ordinary resolution, and such remuneration will be in addition to any other remuneration that he or she may be entitled to receive.

Gratuity, Pension or Allowance on Retirement of Director

13.8 Unless otherwise determined by ordinary resolution, the directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with the Company or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

PART 14

ELECTION AND REMOVAL OF DIRECTORS

Election at Annual General Meeting

14.1 At every annual general meeting:

(a) the shareholders entitled to vote at the annual general meeting for the election of directors must elect a board of directors consisting of the number of directors for the time being set under these Articles; and

(b) all the directors cease to hold office immediately before the election or appointment of directors under §(a), but are eligible for re-election or re-appointment.

Consent to be a Director

14.2 No election, appointment or designation of an individual as a director is valid unless:

(a) that individual consents to be a director in the manner provided for in the Act; or

(b) that individual is elected or appointed at a meeting at which the individual is present and the individual does not refuse, at the meeting, to be a director.

Failure to Elect or Appoint Directors

14.3 If:

(a) the Company fails to hold an annual general meeting on or before the date by which the annual general meeting is required to be held under the Act; or

(b) the shareholders fail, at the annual general meeting to elect or appoint any directors;

then each director then in office continues to hold office until the earlier of the time when:

(c) his or her successor is elected or appointed; and

(d) he or she otherwise ceases to hold office under the Act or these Articles.

Places of Retiring Directors Not Filled

14.4 If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, those retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors for the time being set pursuant to these Articles but their term of office will expire when new directors are elected at a meeting of shareholders convened for that purpose. If any such election or continuance of directors does not result in the election or continuance of the number of directors for the time being set pursuant to these Articles, the number of directors of the Company is deemed to be set at the number of directors actually elected or continued in office.

Directors May Fill Casual Vacancies

14.5 Any casual vacancy occurring in the board of directors may be filled by the directors.

Remaining Directors Power to Act

14.6 The directors may act notwithstanding any vacancy in the board of directors, but if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the directors may only act for the purpose of appointing directors up to that

number or of calling a meeting of shareholders for the purpose of filling any vacancies on the board of directors or, subject to the Act, for any other purpose.

Shareholders May Fill Vacancies

14.7 If the Company has no directors or fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the shareholders may elect or appoint directors to fill any vacancies on the board of directors.

Additional Directors

14.8 Notwithstanding §13.1 and §13.2, between annual general meetings, the directors may appoint one or more additional directors, but the number of additional directors appointed under this §14.8 must not at any time exceed one-third of the number of the current directors who were elected or appointed as directors other than under this §14.8.

Any director so appointed ceases to hold office immediately before the next election or appointment of directors under §14.1(a), but is eligible for re-election or re-appointment.

Ceasing to be a Director

14.9 A director ceases to be a director when:

(a) the term of office of the director expires;

(b) the director dies;

(c) the director resigns as a director by notice in writing provided to the Company; or

(d) the director is removed from office pursuant to §14.10 or §14.11.

Removal of Director by Shareholders

14.10 The Company may remove any director before the expiration of his or her term of office by special resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy.

Removal of Director by Directors

14.11 The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.

PART 15

ALTERNATE DIRECTORS

Appointment of Alternate Director

15.1 Any director (an “appointor”) may by notice in writing received by the Company appoint any person (an “appointee”) who is qualified to act as a director to be his or her alternate to act in his or her place at meetings of the directors or committees of the directors at which the appointor is not present unless (in the case of an appointee who is not a director) the directors have reasonably disapproved the appointment of such person as an alternate director and have given notice to that effect to his or her appointor within a reasonable time after the notice of appointment is received by the Company.

Notice of Meetings

15.2 Every alternate director so appointed is entitled to notice of meetings of the directors and of committees of the directors of which his or her appointor is a member and to attend and vote as a director at any such meetings at which his or her appointor is not present.

Alternate for More than One Director Attending Meetings

15.3 A person may be appointed as an alternate director by more than one director, and an alternate director:

(a) will be counted in determining the quorum for a meeting of directors once for each of his or her appointors and, in the case of an appointee who is also a director, once more in that capacity;

(b) has a separate vote at a meeting of directors for each of his or her appointors and, in the case of an appointee who is also a director, an additional vote in that capacity;

(c) will be counted in determining the quorum for a meeting of a committee of directors once for each of his or her appointors who is a member of that committee and, in the case of an appointee who is also a member of that committee as a directors, once more in that capacity; and

(d) has a separate vote at a meeting of a committee of directors for each of his or her appointors who is a member of that committee and, in the case of an appointee who is also a member of that committee as a director, an additional vote in that capacity.

Consent Resolutions

15.4 Every alternate director, if authorized by the notice appointing him or her, may sign in place of his or her appointor any resolutions to be consented to in writing.

Alternate Director an Agent

15.5 Every alternate director is deemed to be the agent of his or her appointor.

Revocation or Amendment of Appointment of Alternate Director

15.6 An appointor may at any time, by notice in writing received by the Company, revoke or amend the terms of the appointment of an alternate director appointed by him or her.

Ceasing to be an Alternate Director

15.7 The appointment of an alternate director ceases when:

(a) his or her appointor ceases to be a director and is not promptly re-elected or re-appointed;

(b) the alternate director dies;

(c) the alternate director resigns as an alternate director by notice in writing provided to the Company or a lawyer for the Company;

(d) the alternate director ceases to be qualified to act as a director; or

(e) the term of his appointment expires, or his or her appointor revokes the appointment of the alternate directors.

Remuneration and Expenses of Alternate Director

15.8 The Company may reimburse an alternate director for the reasonable expenses that would be properly reimbursed if he or she were a director, and the alternate director is entitled to receive from the Company such proportion, if any, of the remuneration otherwise payable to the appointor as the appointor may from time to time direct.

PART 16

POWERS AND DUTIES OF DIRECTORS

Powers of Management

16.1 The directors must, subject to the Act and these Articles, manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers of the Company as are not, by the Act or by these Articles, required to be exercised by the shareholders of the Company. Notwithstanding the generality of the foregoing, the directors may set the remuneration of the auditor of the Company.

Appointment of Attorney of Company

16.2 The directors may from time to time, by power of attorney or other instrument, under seal if so required by law, appoint any person to be the attorney of the Company for such purposes, and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles and excepting the power to fill vacancies in the board of directors, to remove a director, to change the membership of, or fill vacancies in, any committee of the directors, to appoint or remove officers appointed by the directors and to declare dividends) and for such period, and with such remuneration and subject to such conditions as the directors may think fit. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorney as the directors think fit. Any such attorney may be authorized by the directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him or her.

PART 17

INTERESTS OF DIRECTORS AND OFFICERS

Obligation to Account for Profits

17.1 A director or senior officer who holds a disclosable interest (as that term is used in the Act) in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the Act.

Restrictions on Voting by Reason of Interest

17.2 A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.

Interested Director Counted in Quorum

17.3 A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the director votes on any or all of the resolutions considered at the meeting.

Disclosure of Conflict of Interest or Property

17.4 A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the Act.

Director Holding Other Office in the Company

17.5 A director may hold any office or place of profit with the Company, other than the office of auditor of the Company, in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the directors may determine.

No Disqualification

17.6 No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason.

Professional Services by Director or Officer

17.7 Subject to the Act, a director or officer, or any person in which a director or officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the director or officer or such person is entitled to remuneration for professional services as if that director or officer were not a director or officer.

Director or Officer in Other Corporations

17.8 A director or officer may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the Act, the director or officer is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

PART 18

PROCEEDINGS OF DIRECTORS

Meetings of Directors

18.1 The directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and meetings of the directors held at regular intervals may be held at the place, at the time and on the notice, if any, as the directors may from time to time determine.

Voting at Meetings

18.2 Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting has a second or casting vote.

Chair of Meetings

18.3 The following individual is entitled to preside as chair at a meeting of directors:

(a) the chair of the board, if any;

(b) in the absence of the chair of the board, the president, if any, if the president is a director; or

(c) any other director chosen by the directors if:

(i) neither the chair of the board nor the president, if a director, is present at the meeting within 15 minutes after the time set for holding the meeting;

(ii) neither the chair of the board nor the president, if a director, is willing to chair the meeting; or

(iii) the chair of the board and the president, if a director, have advised the secretary, if any, or any other director, that they will not be present at the meeting.

Meetings by Telephone or Other Communications Medium

18.4 A director may participate in a meeting of the directors or of any committee of the directors:

(a) in person;

(b) by telephone; or

(c) with the consent of all the directors who wish to participate in the meeting by other communications medium;

if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other. A director who participates in a meeting in a manner contemplated by this §18.4 is deemed for all purposes of the Act and these Articles to be present at the meeting and to have agreed to participate in that manner.

Calling of Meetings

18.5 A director may, and the secretary or an assistant secretary of the Company, if any, on the request of a director must, call a meeting of the directors at any time.

Notice of Meetings

18.6 Other than for meetings held at regular intervals as determined by the directors pursuant to §18.1, 48 hours' notice of each meeting of the directors, specifying the place, day and time of that meeting must be given to each of the directors by any method set out in §24.1 or orally or by telephone.

When Notice Not Required

18.7 It is not necessary to give notice of a meeting of the directors to a director if:

(a) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed, or is the meeting of the directors at which that director is appointed; or

(b) the director has waived notice of the meeting.

Meeting Valid Despite Failure to Give Notice

18.8 The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director, does not invalidate any proceedings at that meeting.

Waiver of Notice of Meetings

18.9 Any director may send to the Company a document signed by him or her waiving notice of any past, present or future meeting or meetings of the directors and may at any time withdraw that waiver with respect to meetings held after that withdrawal. After sending a waiver with respect to all future meetings and until that waiver is withdrawn, no notice of any meeting of the directors need be given to that director and all meetings of the directors so held are deemed not to be improperly called or constituted by reason of notice not having been given to such director. Attendance of a director or alternate director at a meeting of the directors is a waiver of notice of the meeting unless that director or alternate director attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

Quorum

18.10 The quorum necessary for the transaction of the business of the directors may be set by the directors and, if not so set, is deemed to be a majority of the directors.

Validity of Acts Where Appointment Defective

18.11 Subject to the Act, an act of a director or officer is not invalid merely because of an irregularity in the election or appointment or a defect in the qualification of that director or officer.

Consent Resolutions in Writing

18.12 A resolution of the directors or of any committee of the directors may be passed without a meeting:

(a) in all cases, if each of the directors entitled to vote on the resolution consents to it in writing; or

(b) in the case of a resolution to approve a contract or transaction in respect of which a director has disclosed that he or she has or may have a disclosable interest, if each of the other directors who have not made such a disclosure consents in writing to the resolution.

A consent in writing under this Part 18 may be by signed document, fax, email or any other method of transmitting legibly recorded messages. A consent in writing may be in two or more counterparts which together are deemed to constitute one consent in writing. A resolution of the directors or of any committee of the directors passed in accordance with this §18.12 is effective on the date stated in the consent in writing or on the latest date stated on any counterpart and is deemed to be a proceeding at a meeting of directors or of the committee of the directors and to be as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors that satisfies all the requirements of the Act and all the requirements of these Articles relating to meetings of the directors or of a committee of the directors.

PART 19

EXECUTIVE AND OTHER COMMITTEES

Appointment and Powers of Executive Committee

19.1 The directors may, by resolution, appoint an executive committee consisting of the director or directors that they consider appropriate, and this committee has, during the intervals between meetings of the board of directors, all of the directors' powers, except:

(a) the power to fill vacancies in the board of directors;

(b) the power to remove a director;

(c) the power to change the membership of, or fill vacancies in, any committee of the directors; and

(d) such other powers, if any, as may be set out in the resolution or any subsequent directors' resolution.

Appointment and Powers of Other Committees

19.2 In addition to any executive committee, the directors may, by resolution:

(a) appoint one or more committees consisting of the director or directors that they consider appropriate;

(b) delegate to a committee appointed under §(a) any of the directors' powers, except:

(i) the power to fill vacancies in the board of directors;

(ii) the power to remove a director;

(iii) the power to change the membership of, or fill vacancies in, any committee of the directors; and

(iv) the power to appoint or remove officers appointed by the directors; and

(c) make any delegation referred to in §(b) subject to the conditions set out in the resolution or any subsequent directors' resolution.

Obligations of Committees

19.3 Any committee appointed under §19.1 or §19.2, in the exercise of the powers delegated to it, must:

(a) conform to any rules that may from time to time be imposed on it by the directors; and

(b) report every act or thing done in exercise of those powers at such times as the directors may require.

Powers of Board

19.4 The directors may, at any time, with respect to a committee appointed under §19.1 or §19.2:

(a) revoke or alter the authority given to the committee, or override a decision made by the committee, except as to acts done before such revocation, alteration or overriding;

(b) terminate the appointment of, or change the membership of, the committee; and

(c) fill vacancies in the committee.

Committee Meetings

19.5 Subject to §19.3(a) and unless the directors otherwise provide in the resolution appointing the committee or in any subsequent resolution, with respect to a committee appointed under §19.1 or §19.2:

(a) the committee may meet and adjourn as it thinks proper;

(b) the committee may elect a chair of its meetings but, if no chair of a meeting is elected, or if at a meeting the chair of the meeting is not present within 15 minutes after the time set for holding the meeting, the directors present who are members of the committee may choose one of their number to chair the meeting;

(c) a majority of the members of the committee constitutes a quorum of the committee; and

(d) questions arising at any meeting of the committee are determined by a majority of votes of the members present, and in case of an equality of votes, the chair of the meeting does not have a second or casting vote.

PART 20

OFFICERS

Directors May Appoint Officers

20.1 The directors may, from time to time, appoint such officers, if any, as the directors determine and the directors may, at any time, terminate any such appointment.

Functions, Duties and Powers of Officers

20.2 The directors may, for each officer:

(a) determine the functions and duties of the officer;

(b) entrust to and confer on the officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and

(c) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

Qualifications

20.3 No person may be appointed as an officer unless that person is qualified in accordance with the Act. One person may hold more than one position as an officer of the Company. An officer will not be a director, except that a person appointed the chair of the board or as a managing director must be a director.

Remuneration and Terms of Appointment

20.4 All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission, participation in profits or otherwise) that the directors thinks fit and are subject to termination at the pleasure of the directors, and an officer may in addition to such remuneration be entitled to receive, after he or she ceases to hold such office or leaves the employment of the Company, a pension or gratuity.

PART 21

INDEMNIFICATION

Definitions

21.1 In this Part 21:

(a) “eligible party” means an individual who:

(i) is or was a director or officer of the Company;

(ii) is or was a director or officer of another corporation

(A) at a time when the corporation is or was an affiliate of the Company, or

(B) at the request of the Company; or

(iii) at the request of the Company, is or was, or holds or held a position equivalent to that of, a director or officer of a partnership, trust, joint venture or other unincorporated entity;

(b) “eligible penalty” means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding;

(c) “eligible proceeding” means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director or former director of the Company or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director of the Company:

(i) is or may be joined as a party; or

(ii) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding;

and will include any other proceeding or action contemplated by the Act; and

(d) “expenses” has the meaning set out in the Act and includes costs, charges and expenses, including legal and other fees, but does not include judgments, penalties, fines or amounts paid in settlement of a proceeding.

Mandatory Indemnification of Eligible Parties

21.2 Subject to the Act, the Company must indemnify each eligible party and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each

eligible party is deemed to have contracted with the Company on the terms of the indemnity contained in this §21.2.

Indemnification of Other Persons

21.3 Subject to any restrictions in the Act, the Company may agree to indemnify and may indemnify any person (including an eligible party) against eligible penalties and pay expenses incurred in connection with the performance of services by that person for the Company.

Authority to Advance Expenses

21.4 The Company may advance expenses to an eligible party to the extent permitted by and in accordance with the Act.

Non-Compliance with Act

21.5 Subject to the Act, the failure of an eligible party of the Company to comply with the Act or these Articles or, if applicable, any former *Companies Act* or former Articles does not, of itself, invalidate any indemnity to which he or she is entitled under this Part 21.

Company May Purchase Insurance

21.6 The Company may purchase and maintain insurance for the benefit of any eligible party person (or his or her heirs or legal personal representatives) against any liability incurred by him or her as such director, officer or person who holds or held such equivalent position.

PART 22

DIVIDENDS

Payment of Dividends Subject to Special Rights

22.1 The provisions of this Part 22 are subject to the rights, if any, of shareholders holding shares with special rights as to dividends.

Declaration of Dividends

22.2 Subject to the Act, the directors may from time to time declare and authorize payment of such dividends as they may deem advisable.

Record Date

22.3 The directors must set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months.

Manner of Paying Dividend

22.4 A resolution declaring a dividend may direct payment of the dividend wholly or partly in money or by the distribution of specific assets or of fully paid shares or of bonds, debentures or other securities of the Company or any other corporation, or in any one or more of those ways.

Settlement of Difficulties

22.5 If any difficulty arises in regard to a distribution under §22.4, the directors may settle the difficulty as they deem advisable, and, in particular, may:

(a) set the value for distribution of specific assets;

(b) determine that money in substitution for all or any part of the specific assets to which any shareholders are entitled may be paid to any shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and

(c) vest any such specific assets in trustees for the persons entitled to the dividend.

When Dividend Payable

22.6 Any dividend may be made payable on such date as is fixed by the directors.

Dividends to be Paid in Accordance with Number of Shares

22.7 All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

Receipt by Joint Shareholders

22.8 If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

Dividend Bears No Interest

22.9 No dividend bears interest against the Company.

Fractional Dividends

22.10 If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

Payment of Dividends

22.11 Any dividend or other distribution payable in money in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the

registered address of the shareholder, or in the case of joint shareholders, to the registered address of the joint shareholder who is first named on the central securities register, or to the person and to the address the shareholder or joint shareholders may direct in writing. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

Capitalization of Retained Earnings or Surplus

22.12 Notwithstanding anything contained in these Articles, the directors may from time to time capitalize any retained earnings or surplus of the Company and may from time to time issue, as fully paid, shares or any bonds, debentures or other securities of the Company as a dividend representing the retained earnings or surplus so capitalized or any part thereof.

PART 23

ACCOUNTING RECORDS AND AUDITORS

Recording of Financial Affairs

23.1 The directors must cause adequate accounting records to be kept to record properly the financial affairs and condition of the Company and to comply with the Act.

Inspection of Accounting Records

23.2 Unless the directors determine otherwise, or unless otherwise determined by ordinary resolution, no shareholder of the Company is entitled to inspect or obtain a copy of any accounting records of the Company.

Remuneration of Auditor

23.3 The directors may set the remuneration of the auditor of the Company.

PART 24

NOTICES

Method of Giving Notice

24.1 Unless the Act or these Articles provide otherwise, a notice, statement, report or other record required or permitted by the Act or these Articles to be sent by or to a person may be sent by:

(a) mail addressed to the person at the applicable address for that person as follows:

(i) for a record mailed to a shareholder, the shareholder's registered address;

(ii) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;

(iii) in any other case, the mailing address of the intended recipient;

(b) delivery at the applicable address for that person as follows, addressed to the person:

(i) for a record delivered to a shareholder, the shareholder's registered address;

(ii) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;

(iii) in any other case, the delivery address of the intended recipient;

(c) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;

(d) sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class; and

(e) physical delivery to the intended recipient.

Deemed Receipt of Mailing

24.2 A notice, statement, report or other record that is:

(a) mailed to a person by ordinary mail to the applicable address for that person referred to in §24.1 is deemed to be received by the person to whom it was mailed on the day (Saturdays, Sundays and holidays excepted) following the date of mailing;

(b) faxed to a person to the fax number provided by that person referred to in §24.1 is deemed to be received by the person to whom it was faxed on the day it was faxed; and

(c) emailed to a person to the e-mail address provided by that person referred to in §24.1 is deemed to be received by the person to whom it was e-mailed on the day that it was emailed.

Certificate of Sending

24.3 A certificate signed by the secretary, if any, or other officer of the Company or of any other corporation acting in that capacity on behalf of the Company stating that a notice, statement, report or other record was sent in accordance with §24.1 is conclusive evidence of that fact.

Notice to Joint Shareholders

24.4 A notice, statement, report or other record may be provided by the Company to the joint shareholders of a share by providing such record to the joint shareholder first named in the central securities register in respect of the share.

Notice to Legal Personal Representatives and Trustees

24.5 A notice, statement, report or other record may be provided by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a shareholder by:

(a) mailing the record, addressed to them:

(i) by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description; and

(ii) at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or

(b) if an address referred to in §(a)(ii) has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

Undelivered Notices

24.6 If on two consecutive occasions, a notice, statement, report or other record is sent to a shareholder pursuant to §24.1 and on each of those occasions any such record is returned because the shareholder cannot be located, the Company will not be required to send any further records to the shareholder until the shareholder informs the Company in writing of his or her new address.

PART 25

SEAL

Who May Attest Seal

25.1 Except as provided in §25.2 and §25.3, the Company's seal, if any, must not be impressed on any record except when that impression is attested by the signatures of:

(a) any two directors;

(b) any officer, together with any director;

(c) if the Company only has one director, that director; or

(d) any one or more directors or officers or persons as may be determined by the directors.

Sealing Copies

25.2 For the purpose of certifying under seal a certificate of incumbency of the directors or officers of the Company or a true copy of any resolution or other document, despite §25.1, the impression of the seal may be attested by the signature of any director or officer or the signature of any other person as may be determined by the directors.

Mechanical Reproduction of Seal

25.3 The directors may authorize the seal to be impressed by third parties on share certificates or bonds, debentures or other securities of the Company as they may determine appropriate from time to time. To enable the seal to be impressed on any share certificates or bonds, debentures or other securities of the Company, whether in definitive or interim form, on which facsimiles of any of the signatures of the directors or officers of the Company are, in accordance with the Act or these Articles, printed or otherwise mechanically reproduced, there may be delivered to the person employed to engrave, lithograph or print such definitive or interim share certificates or bonds, debentures or other securities one or more unmounted dies reproducing the seal and such persons as are authorized under §25.1 to attest the Company's seal may in writing authorize such person to cause the seal to be impressed on such definitive or interim share certificates or bonds, debentures or other securities by the use of such dies. Share certificates or bonds, debentures or other securities to which the seal has been so impressed are for all purposes deemed to be under and to bear the seal impressed on them.

PART 26

SPECIAL RIGHTS AND RESTRICTIONS ATTACHED TO PREFERRED SHARES

Attachment of Special Rights and Restrictions

26.1 There are attached to the Preferred Shares as a class the following special rights and restrictions:

(a) the board may at any time and from time to time issue Preferred Shares in one or more series, each series to consist of such number of shares as is determined by the board before the issue of any thereof;

(b) a holder of a Preferred Share will as such be entitled to receive notice of, attend, speak and vote at a general meeting of the members of the Company, except as otherwise provided in the special rights and restrictions attached to the share by the board;

(c) holders of Preferred Shares will be entitled to:

(i) preference with respect to payment of dividends on such shares over the payment of dividends on the Common Shares and on any other shares ranking junior to the Preferred Shares with respect to the payment of dividends; and

(ii) in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or other distribution of the assets of the Company among its members for the purpose of winding up its affairs, preference on a distribution of assets:

(A) in repayment of capital, over any distribution to holders of Common Shares or to holders of other shares not ranking with respect to such distribution equally with or in priority to the repayment of capital on the Preferred Shares; and

(B) on account of undeclared accumulated dividends, over any distribution to holders of Common Shares or any distribution to holders of other shares not ranking with respect to such distribution equally with or in priority to the payment of dividends on the Preferred Shares;

(d) the Company will not without, but may from time to time with, the approval by a separate class resolution of the holders of the Preferred Shares given in accordance with §26.3:

(i) increase the authorized number of Preferred Shares;

(ii) attach special rights and restrictions to, or alter or vary the special rights and restrictions attached to, shares of any other class whereby such shares rank equally with or in priority to the Preferred Shares with respect to the declaration

or payment of dividends or the distribution of the assets of the Company among its members for any reason;

(iii) create or increase the authorized number of shares of any class ranking equally with or in priority to the Preferred Shares with respect to the declaration or payment of dividends or the distribution of the assets of the Company among its members for any reason; and

(iv) alter, vary or abrogate the special rights or restrictions attaching to the Preferred Shares as a class.

26.2 The board will, before the first issue of Preferred Shares of any series, alter the Memorandum or Articles of the Company or both to fix the number of Preferred Shares in, and to determine the designation of and the special rights and restrictions to be attached to, the Preferred Shares of that series.

Separate Class Resolution

26.3 Approval by separate class resolution of the holders of Preferred Shares must be by a separate resolution:

(a) consented to in writing by all holders of Preferred Shares; or

(b) presented at a meeting of holders of Preferred Shares, called for such purpose in accordance with these Articles, at which one or more persons are present representing in person or by proxy at least 33 1/3% of the issued and outstanding Preferred Shares, and passed by the affirmative vote of at least 66 2/3% of the votes cast.".

SUBSCRIPTION FOR SHARES
(Alnylam Pharmaceuticals, Inc.)

TO: Tekmira Pharmaceuticals Corporation (the "Corporation")
DATED: March 28, 2008

The undersigned (the "**Subscriber**") hereby irrevocably subscribes for and agrees to purchase 2,083,333 common shares of the Corporation (the "**Shares**") at the subscription price of US$2.40 per Share (the "**Subscription Price**"), upon and subject to the terms and conditions set forth in "Terms and Conditions of Subscription for Shares of Tekmira Pharmaceuticals Corporation" attached hereto (together with the face pages and the attached Schedules, the "**Subscription Agreement**").

The Shares are listed on the Toronto Stock Exchange (the "**Exchange**") and as a result the Corporation is subject to the rules and policies of the Exchange. The Corporation is also a "reporting issuer" (or equivalent) under the securities laws of all of the provinces of Canada.

SUBSCRIPTION AND SUBSCRIBER INFORMATION

Please print all information (other than signatures), as applicable, in the space provided below.

Alnylam Pharmaceuticals, Inc.
(Name of Subscriber)

Account Reference (if applicable):

By: /S/ BARRY GREENE
Authorized Signature

President and Chief Operating Officer
(Official Capacity or Title – if the Subscriber is not an individual)

Barry Greene
(Name of individual whose signature appears above if different than the name of the subscriber printed above.)

300 Third Street
(Subscriber's Address, including Province/State)

Cambridge, MA 02142
617-551-8200
(Telephone Number) (Email Address)

Number of Shares: 2,083,333

Aggregate Subscription Amount:
US$4,999,999.20
(the "**Aggregate Subscription Amount**")

If the Subscriber is signing as agent for a principal (beneficial purchaser) and is not purchasing as trustee or agent for accounts fully managed by it, complete the following:

(Name of Principal)

(Principal's Address)

(Telephone Number) (Email Address)

Account Registration Information:
Alnylam Pharmaceuticals, Inc.
(Name)

(Account Reference, if applicable)

300 Third Street, Cambridge, MA 02142
(Address, including Postal/Zip Code)

Number and kind of Shares of the Corporation held, if any:

Delivery Instructions as set forth below:
☒ Same as registered address, or

(Name)

(Account Reference, if applicable)

(Address)

(Contact Name) (Telephone Number)

TERMS AND CONDITIONS OF SUBSCRIPTION FOR

SHARES OF TEKMIRA PHARMACEUTICALS CORPORATION

Terms of the Offering

1. The Subscriber acknowledges (on its own behalf and, if applicable, on behalf of each Person on whose behalf the Subscriber is contracting) that this subscription is subject to acceptance or rejection by the Corporation in whole or in part. Acceptance of this subscription shall be effective upon the delivery of a facsimile copy or electronic copy of this Subscription Agreement, duly executed by the Corporation, to the Subscriber. The Corporation shall, by its acceptance of this subscription, be bound by the terms and conditions hereof. The parties agree that this Subscription and all money tendered herewith will be returned to the Subscriber, without interest or deduction, if this Subscription is not accepted by the Corporation.

2. The Subscriber acknowledges (on its own behalf and, if applicable, on behalf of each Person on whose behalf the Subscriber is contracting) that this offering of Shares (the "**Offering**") will not in any way restrict the Corporation from issuing additional Shares of the Corporation at prices, on terms and in amounts as may be determined by the Corporation, in its sole and absolute discretion, subject to the pre-emptive rights of the Subscriber as set forth in Section 9(f) below.

3. This Agreement and the parties' obligations hereunder shall terminate upon the earlier of (i) June 30, 2008 and (ii) the termination of the share purchase agreement in connection with the Business Combination ("**Termination Date**") and the Corporation acknowledges that any obligations of the Subscriber pursuant this Subscription Agreement shall be null and void on and after such Termination Date.

Definitions

4. (a) "Applicable Securities Laws" means, collectively, the securities legislation having application in each of the Reporting Jurisdictions and the respective regulations and rules under such legislation and the instruments, policies, rulings, orders, codes, notices and interpretation notes of the applicable Regulatory Authorities having application;

(b) "Business Combination" has the meaning set forth in Section 12(b);

(c) "Closing Date" means such date for closing of the Offering as agreed to by the Corporation and the Subscriber;

(d) "Closing Time" means 8:00 a.m. Vancouver time on the Closing Date, or such other time as agreed to by the Corporation and the Subscriber;

(e) "Exchange" means the Toronto Stock Exchange;

(f) "Disclosure Documents" means the documents filed by the Corporation, and from December 30, 2005 until April 30, 2007, by 1322256 Alberta Ltd. (formerly Inex Pharmaceuticals Corporation), under their respective profiles at www.sedar.com;

(g) "Material Adverse Effect" means, any effect in or on the business, operations, results of operations, assets, liabilities, obligations (whether absolute, accrued, conditional, contingent or otherwise), or condition (financial or otherwise) of a Person (on a consolidated basis) which is material and adverse to such Person (on a consolidated basis) other than a change, effect, event or occurrence relating to (i) general political, economic or financial conditions, including in Canada and the United States or internationally, (ii) the state of Canadian, United States or international credit, securities or currency exchange markets in general, including any reduction in market indices, (iii) factors affecting the industries in which such Person operates in general, (iv) changes in Laws or interpretations thereof by any Governmental Entity, (v)

any failure, in and of itself, by a Person to meet any of its published estimates of revenues for any period ending on or after the date of this Agreement and before the Closing Date, (vi) the announcement of the transactions contemplated by the Tekmira-Protiva Share Purchase Agreement or other communication by Tekmira of its plans or intentions with respect to its business or that of Protiva's following the closing of the Business Combination, (vii) the consummation of the transactions contemplated by the Tekmira-Protiva Share Purchase Agreement or any actions taken pursuant to the Tekmira-Protiva Share Purchase Agreement, (viii) any delay or disruption to the ordinary course of a Person's business occasioned by the announcement or implementation of the transactions contemplated by the Tekmira-Protiva Share Purchase Agreement, (ix) any natural disaster or any acts of terrorism, sabotage, military action or war (whether or not declared) or any escalation or worsening thereof; (x) any change in the market price or trading volume of the Tekmira Shares, (xi) any suspension, rejection, refusal of or request to re-file any regulatory application or filing, (xii) any negative actions, requests, recommendations or decisions of the United States Food and Drug Administration (the "**FDA**"), Health Canada or similar Governmental Entity which would materially and adversely cause a delay in the development of a product candidate, (xiii) any change, effect, event or occurrence relating to a Person's clinical trials or studies, (xiv) any change, effect, event or occurrence relating to the products, product candidates, clinical trials or studies of any other Person, (xv) safety findings with respect to a therapeutic agent, (xvi) changes in generally accepted accounting principles or regulatory accounting requirements, (xvii) any action taken by any Person or any of its subsidiaries to which the other party hereto has consented to in writing; (xviii) any matter, either alone or in combination with other matters, that has been previously disclosed, or (xix) any disputes or litigation with respect to any intellectual property rights;

(h) "Person" means an individual, a firm, a corporation, a syndicate, a partnership, a trust, an association, an unincorporated organization, a joint venture, an investment club, a government or an agency or political subdivision thereof and every other form of legal or business entity of whatsoever nature or kind;

(i) "Regulatory Authorities" means the securities commission or similar regulatory authority in each of the Reporting Jurisdictions;

(j) "Reporting Jurisdictions" means all of the provinces of Canada;

(k) "Securities Laws" means the securities legislation and the regulations and rules under such legislation, and the instruments, policies, rulings, orders, codes, notices and interpretation notes of the applicable securities commission or similar regulatory authority of the applicable jurisdiction;

(l) "subsidiary" has the meaning ascribed to it in the *Business Corporations Act* (British Columbia), and for the purposes of any certificate delivered with respect to the closing condition in section 12(i) hereto and when used in any representations and warranties of the Corporation made as at the Closing Time, includes Protiva Biotherapeutics Inc. ("**Protiva**"); and

(m) "Tekmira-Protiva Share Purchase Agreement" means the share purchase agreement by and among Protiva, Protiva's securityholders and the Corporation dated March 28, 2008.

Representations and Warranties of the Corporation

5. The Corporation hereby represents and warrants to the Subscriber (and acknowledges that the Subscriber is relying thereon) that, as at the date of acceptance of this subscription and at the Closing Time:

(a) each of the Corporation and its subsidiaries is a valid and subsisting corporation duly incorporated and in good standing under the laws of the jurisdiction in which it was incorporated, continued or amalgamated and has all the requisite corporate power and authority to enter into this Subscription Agreement and to carry out its obligations hereunder;

(b) there are no shareholders' agreements governing the affairs of the Corporation or any of its subsidiaries or relationship, rights and duties of its shareholders nor are there any voting trusts, pooling arrangements or similar agreements with respect to the ownership or voting of any equity in trust in the Corporation;

(c) **[Intentionally deleted]**

(d) the authorized capital of the Corporation consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value, of which as at the date hereof, 24,565,681 common shares and no preferred shares are issued and outstanding as fully paid and non-assessable, and the Shares to be issued under this Subscription Agreement will at the time of issue, be validly issued and outstanding as fully paid and non-assessable;

(e) all of the material transactions of the Corporation have been promptly and properly recorded or filed in or with the books or records of the Corporation and the minute books of the Corporation contain all records of the meetings and proceedings of the Corporation's directors, shareholders and other committees, if any, since its incorporation;

(f) each of the Corporation and its subsidiaries has the corporate power and capacity to own the assets owned by it and to carry on the business carried on by it and is duly qualified to carry on its business under the laws of each jurisdiction in which it carries on business or holds property to the extent required by such laws;

(g) each of the Corporation and its subsidiaries has good and marketable title to its assets free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands of any kind whatsoever, except for equipment leases;

(h) to the best of the Corporation's knowledge, each of the Corporation and its subsidiaries owns, possesses or licenses all patents, patent rights, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names (the "**Intellectual Property**") necessary to carry on the business now operated by it, except where the failure to own, possess, license or otherwise be able to use or acquire the Intellectual Property would not, singly or in the aggregate, have a Material Adverse Effect on the Corporation and its subsidiaries, taken as a whole;

(i) neither the Corporation nor its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of its Intellectual Property which, singly or in the aggregate, if the subject of an unfavourable decision, ruling or finding, would have a Material Adverse Effect on the Corporation;

(j) each of the Corporation and its subsidiaries now holds, and as of the Closing Date will hold, all licenses, certificates, approvals and permits from all state, United States, foreign and other regulatory authorities, including but not limited to the FDA and any foreign regulatory authorities performing functions similar to those performed by the FDA, that are material to the conduct of its business (as such business is currently conducted), except for such licenses, certificates, approvals and permits the failure of which to hold would not have a Material Adverse Effect on the Corporation and its subsidiaries, taken as a whole, all of which are valid and in full force and effect (and there is no proceeding pending or, to the knowledge of the Corporation, threatened which may cause any such license, certificate, approval or permit to be withdrawn, cancelled, suspended or not renewed). Neither the Corporation nor its subsidiaries is in violation of any law, order, rule, regulation, writ, injunction or decree of any court or governmental agency or body, applicable to the investigation of new drugs in humans and animals, including, but not limited to, those promulgated by the FDA, the violation of which would have a Material Adverse Effect on the Corporation and its subsidiaries, taken as a whole. All of the descriptions in the Disclosure Documents Incorporated of the legal and governmental proceedings by or before the FDA or any foreign, state or local government body exercising comparable authority are accurate, complete and fair;

(k) the clinical studies and tests (including, but without limitation, the human and animal clinical trials) that were conducted by and are being conducted by the Corporation or in which the Corporation has directly participated and is participating, which are described in the Disclosure Documents or the results of which are referred to in the Disclosure Documents, and, to the best of the Corporation's knowledge, such studies and test that were conducted on behalf of the Corporation, were and, if still pending, are being conducted in all material respects (i) in accordance with the protocols, procedures and controls for such studies and tests of new medical devices or biologic products, as the case may be, and (ii) in accordance with all applicable laws, rules and regulations; the descriptions of the results of such studies and tests contained in the Disclosure Documents are accurate, complete and fair, and the Corporation has no knowledge of any other studies or tests, the results of which call into question the results described or referred to in the Disclosure Documents, and the Corporation has not received any notices or correspondence from the FDA or any other governmental agency requiring the termination, suspension or modification of any studies or tests conducted by, or on behalf of, the Corporation or in which the Corporation has participated that are described in the Disclosure Documents or the results of which are referred to in the Disclosure Documents that would result in an untrue statement in the Disclosure Documents or require a fact to be stated in order to make a statement in the Disclosure Documents not misleading in light of the circumstances in which it was made or otherwise necessitate a change to the descriptions in the Disclosure Documents;

(l)(i) each of the Corporation and its subsidiaries (x) has conducted and are conducting its business in compliance in all material respects with all applicable laws, rules and regulations of each jurisdiction in which its business is carried on including, without limitation, all applicable licensing and waste management legislation, regulations or by-laws, occupational health and safety laws, environmental protection legislation, regulations or by-laws or similar legislation, regulations or by-laws (including ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including laws relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "**Hazardous Materials**") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "**Environmental Laws**"); (y) holds all necessary licences, permits, approvals, consents, certificates, registrations and authorizations, whether governmental, regulatory or otherwise under any applicable Environmental Law, to enable its business to be carried on as now conducted and its property and assets to be owned, leased and operated, and the same are validly existing and in good standing, except to the extent that non-compliance with any such laws, rules or regulations, or failure to hold any such licences, permits, or similar approvals would not have a Material Adverse Effect on the Corporation and its subsidiaries, taken as a whole; (ii) there are no pending or, to the knowledge of the Corporation, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigation or proceedings relating to any Environmental Laws against the Corporation and its subsidiaries and (iii) there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Corporation and its subsidiaries relating to Hazardous Materials or any Environmental Laws;

(m) the Corporation is not aware of any legislation or expected changes, amendments or repeal of any legislation which it anticipates will have a Material Adverse Effect on the Corporation or its subsidiaries, taken as a whole;

(n) there is no action, proceeding or investigation, whether or not purportedly on behalf of the Corporation or any of its subsidiaries, pending or, to the knowledge of the Corporation or its directors and officers, threatened against or affecting the Corporation, at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board or agency, domestic or foreign, which could in any way result in a Material Adverse Effect on the Corporation or which questions the validity of the issuance of the Shares or of any action taken or to be taken by the Corporation pursuant to or in connection with this Subscription Agreement;

(o) CIBC Mellon Trust Company, at its principal offices in the cities of Vancouver and Toronto has been duly appointed transfer agent and registrar for the common shares of the Corporation;

(p) neither the Corporation nor its subsidiaries, in a manner that would be materially adverse to the Corporation or its subsidiaries, is in violation of its constating documents or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, trust, deed, mortgage, loan agreement, note, lease or other agreement or instrument to which it is a party or by which it or its property may be bound;

(q) the Corporation has filed all documents required to be filed with the Regulatory Authorities and the Exchange and such documents have been filed within the times prescribed; the Disclosure Documents contain no untrue statement of a material fact (as defined under Applicable Securities Laws) as at the date thereof nor do they omit to state a material fact which, at the date thereof, was required to have been stated or was necessary to prevent a statement that was made from being false or misleading in the circumstances in which it was made and were prepared in accordance with and complied with Applicable Securities Laws;

(r) the Corporation is, and at the Closing Time, will be a reporting issuer (or equivalent) in all of the provinces of Canada, and the Corporation is not, and at the Closing Time will not be, in default of any of the requirements of the Applicable Securities Laws;

(s) the common shares of the Corporation are, and at the Closing Time will be, listed and posted for trading on the Exchange and the Corporation is not, and at the Closing Time will not be, in default of any of the listing requirements of the Exchange;

(t) none of the holders of common shares of the Corporation or the directors or officers of the Corporation or any associate or affiliate of any of the foregoing had, has or to the knowledge of the Corporation intends to have, any material interest, direct or indirect, in any material transaction including the Business Combination, or any proposed material transaction with the Corporation which, as the case may be, materially affects, is material to or will materially affect the Corporation, except as disclosed in the Disclosure Documents and except for Dr. Pieter Cullis, who holds approximately 70,000 shares of Protiva;

(u) except as set forth in the subscription agreement proposed to be made by Roche Finance Ltd. ("**Roche**") and as set forth herein, no person, firm or corporation has any agreement, option, right or privilege, whether pre-emptive, contractual or otherwise, capable of becoming an agreement for the purchase, acquisition, subscription for or issuance of any of the unissued shares or other securities of the Corporation, other than rights issued under the Corporation's share incentive plans or pursuant to the Business Combination;

(v) neither the Corporation nor any of its subsidiaries, as applicable, is in default in the performance or in breach of any of their obligations pursuant to any existing contract, document or agreement between the Corporation or any of its subsidiaries and the Subscriber, no representation or warranty of the Corporation or any of its subsidiaries set forth in any of such contracts, documents or agreements was untrue in any respect when made, and neither the Corporation nor any of its subsidiaries, as applicable, has committed any fraud or material misstatement or omission of fact that is required to be stated or disclosed pursuant to such contracts, documents or agreements;

(w) **[Reserved]**

(x) the audited financial statements of the Corporation for its fiscal years ended December 31, 2006 and 2005, the unaudited financial statements of the Corporation for the interim nine month period ended September 30, 2007, and any other financial statements to be filed by the Corporation on www.sedar.com including the notes thereto, (collectively the "**Financial Statements**") are and will be true and correct in every material respect and present fairly and accurately the financial position and results of the operations of the Corporation for the periods then ended and the Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a consistent basis;

(y) except as described in the Financial Statements, there are no material liabilities of the Corporation, whether direct, indirect, absolute, contingent or otherwise;

(z) since December 31, 2006, no material change (as defined under Applicable Securities Laws) (actual, anticipated, proposed or prospective, whether financial or otherwise) in the business, prospects, financial condition or results of operations of the Corporation or the right or capacity of the Corporation to carry on its business or the capital of the Corporation has occurred with respect to which the requisite material change report has not been filed and no such report has been filed on a confidential basis;

(aa) each of the Corporation and its subsidiaries has duly and on a timely basis filed all tax returns required to be filed by it, has paid all taxes due and payable by it and have paid all assessments and re-assessments and all other taxes, governmental charges, penalties, interest and other fines due and payable by it and which are claimed by any governmental authority to be due and owing, and adequate provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required to be filed;

(bb) there are no agreements, waivers or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Corporation or any of its subsidiaries; there are no actions, suits or proceedings threatened or pending against the Corporation or any of its subsidiaries in respect of taxes, governmental charges or assessments and there are no matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority;

(cc) the Corporation is not an "investment company" under the U.S. Investment Company Act of 1940, as amended, and, for as long as the Subscriber owns any shares purchased under this Subscription Agreement, the Corporation shall take all actions necessary to ensure that it not an "investment company" under the U.S. Investment Company Act of 1940, as amended;

(dd) the execution and delivery of this Subscription Agreement, the fulfilment of the terms hereof by the Corporation, and the issuance, sale and delivery of the Shares at the Closing Time:

(i) do not require the consent, approval, authorization, registration or qualification of or with any governmental authority, stock exchange, Regulatory Authority or other third party, except:

(A) such as have been obtained or will be obtained prior to the Closing Time; and

(B) such as may be required (and will be obtained as provided herein) under Applicable Securities Laws; and

(ii) do not and will not result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with:

(A) any of the terms, conditions or provisions of the articles or notice of articles of the Corporation, or resolutions of the shareholders, directors, or any committee of directors of the Corporation, respectively, or any material indenture, agreement or instrument to which the Corporation is a party or by which either of them is contractually bound; or

(B) any laws of Canada or the Province of British Columbia or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Corporation;

(iii) have been duly authorized by all necessary corporate action on the part of the Corporation and upon such execution and delivery of this Subscription Agreement by the Corporation this Subscription Agreement shall constitute a valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and

other laws relating to or affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought, and by the fact that rights to indemnity, contribution and waiver, and the ability to sever unenforceable terms, may be limited by applicable law;

(ee) there is no person, firm or corporation acting or purporting to act for the Corporation entitled to any brokerage or finder's fee in connection with this Subscription Agreement or any of the transactions contemplated hereunder;

(ff) all Shares to be issued under this Subscription Agreement have been or before the Closing Time will be duly authorized for issuance and, when certificates for such securities are countersigned by the Corporation's transfer agent and registrar and issued, delivered and paid for, will be validly issued, fully paid and non-assessable common shares of the Corporation registered in the names of the holders thereof, free and clear of all voting restrictions, trade restrictions (except as may be imposed by operation of Applicable Securities Laws), liens, charges or encumbrances of any kind whatsoever, and all statements made in the Disclosure Documents describing such securities are and, at the respective times of filing thereof, will be accurate;

(gg) the definitive form of certificate for the common shares of the Corporation is in proper form under the laws of British Columbia and complies with the requirements of the Exchange and the articles of the Corporation;

(hh) no Regulatory Authority has issued any order preventing or suspending trading in any securities of the Corporation or prohibiting the issue and sale of the Shares, no such proceedings for such purpose are pending or, to the knowledge of the Corporation, threatened;

(ii) no representation and warranty or other statement made by the Corporation in this Subscription Agreement contains any untrue statement or omits to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made; and

(jj) as at the date of acceptance of this subscription, the representations and warranties made by Protiva in the Tekmira-Protiva Share Purchase Agreement are true and correct and, as at the Closing Time, the representations and warranties made by Protiva in the Tekmira-Protiva Share Purchase Agreement are true and correct (in both cases, as if such representations and warranties were given by the Corporation herein) except as affected by transactions, changes, conditions, events or circumstances contemplated or permitted by the Tekmira-Protiva Share Purchase Agreement, in both cases without any amendment, supplement, modification, waiver or consent by any party to the Tekmira-Protiva Share Purchase Agreement of any provision of the Tekmira-Protiva Share Purchase Agreement, except as may be consented to by the Subscriber, acting reasonably and without undue delay, and the Tekmira-Protiva Share Purchase Agreement is in full force and effect and has not been amended, supplemented or modified in any manner or way whatsoever and no provision, exhibit or schedule thereof has been waived or any breach thereof consented to, except as may be consented to by the Subscriber, acting reasonably and without undue delay.

Acknowledgements, Representations, Warranties and Covenants of the Subscriber

6. **[Reserved]**

7. The Subscriber acknowledges that the Offering, of which this Subscription Agreement forms a part, is not subject to a minimum subscription level and as such, upon acceptance by the Corporation in accordance with the terms and conditions of this Subscription Agreement, subscription funds will be immediately available for use by the Corporation. The Subscriber further acknowledges that the Corporation may complete additional financings in the future which may have a dilutive effect on existing shareholders at such time, including a Subscriber hereunder.

8. The Subscriber acknowledges, represents, warrants and covenants to the Corporation that:

(a) it has been independently advised as to the restrictions with respect to trading in the Shares imposed by applicable securities regulatory legislation, confirms that no representation has been made to it by or on behalf of the Corporation with respect thereto, acknowledges that it is aware of the characteristics of the Shares, the risks relating to an investment therein and of the fact that it may not be able to resell the Shares except in accordance with limited exemptions under applicable securities legislation and regulatory policy until expiry of the applicable restriction period and compliance with the other requirements of applicable law, and it agrees that any certificates representing the Shares may bear the following legends:

"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THESE SECURITIES MUST NOT TRADE THE SECURITIES BEFORE <INSERT DATE THAT IS FOUR (4) MONTHS AND ONE (1) DAY AFTER CLOSING DATE>.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE LISTED ON THE TORONTO STOCK EXCHANGE; HOWEVER, THE SAID SECURITIES CANNOT BE TRADED THROUGH THE FACILITIES OF SUCH EXCHANGE SINCE THEY ARE NOT FREELY TRANSFERABLE, AND CONSEQUENTLY ANY CERTIFICATE REPRESENTING SUCH SECURITIES IS NOT "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON THE TORONTO STOCK EXCHANGE."

(b) it has not received or been provided with, nor has it requested, nor does it have any need to receive, any prospectus or offering memorandum, or any other document (other than financial statements, interim financial statements or any other document, the content of which is prescribed by statute or regulation) describing the business and affairs of the Corporation which has been prepared for delivery to, and review by, prospective purchasers in order to assist it in making an investment decision in respect of the Shares;

(c) it has not become aware of any advertisement in printed media of general and regular paid circulation (or other printed public media), radio, television or telecommunications or other form of advertisement (including electronic display) with respect to the distribution of the Shares;

(d) it has relied solely upon information publicly available on SEDAR relating to the Corporation and the representations and warranties contained within this Subscription Agreement and other existing and proposed agreements by and among the Subscriber, the Corporation, Alnylam and Protiva, and not upon any verbal or other written representation as to fact or otherwise made by or on behalf of the Corporation;

(e) it acknowledges that:

(i) it is not resident in British Columbia;

(ii) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Shares;

(iii) there is no government or other insurance covering the Shares;

(iv) there are risks associated with the purchase of the Shares;

(v) there are restrictions on the Subscriber's ability to resell the Shares and it is the responsibility of the Subscriber to find out what those restrictions are and to comply with them before selling any of the Shares; and

(vi) the Corporation has advised the Subscriber that the Corporation is relying on an exemption from the requirements to provide the Subscriber with a prospectus and to sell the Shares through a Person registered to sell securities under the *Securities Act* (British Columbia) and, as a consequence of acquiring the Shares pursuant to this exemption, certain protections, rights and remedies provided by the *Securities Act* (British Columbia), including statutory rights of rescission or damages, will not be available to the Subscriber;

(f) it is aware that none of the Shares have been nor will be registered under the United States *Securities Act of 1933*, as amended ("**U.S. Securities Act**") and that these Shares may not be offered or sold in the United States without registration under the U.S. Securities Act or compliance with requirements of an exemption from registration;

(g) if the Subscriber is a resident of the United States or is a U.S. Person (as defined in Regulation S promulgated under the U.S. Securities Act), the Subscriber has concurrently executed and delivered a certificate in the form attached as Schedule A hereto;

(h) it undertakes and agrees that it will not offer, sell or otherwise dispose of any of the Shares in the United States unless the Corporation has consented to such offer, disposition or sale and such Shares are registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available, and further that it will not resell any of the Shares in any jurisdiction, except in accordance with the provisions of applicable securities legislation, regulations, rules, policies and orders and stock exchange rules;

(i) the Subscriber is duly incorporated and is validly subsisting under the laws of its jurisdiction of incorporation and has all requisite legal and corporate power and authority to execute and deliver this Subscription Agreement, to subscribe for the Shares as contemplated herein and to carry out and perform its obligations under the terms of this Subscription Agreement;

(j) this Subscription Agreement has been duly and validly authorized, executed and delivered by and constitutes a legal, valid, binding and enforceable obligation of the Subscriber;

(k) it acknowledges that no representation has been made to it:

(i) as to the future value or price of the Shares;

(ii) that any Person will resell or repurchase the Shares; or;

(iii) that any Person will refund the purchase price of the Shares;

(l) it has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment and it is able to bear the economic risk of loss of its investment;

(m) it understands that the Shares are being offered for sale only on a "private placement" basis and that the sale and delivery of the Shares is conditional upon such sale being exempt from the requirements as to the filing of a prospectus or the preparation of an offering memorandum in prescribed form or upon the issuance of such orders, consents or approvals as may be required to permit such sale without the requirement of filing a prospectus or delivering an offering memorandum in prescribed form and that certain protections, rights and remedies provided by applicable securities legislation, in connection with the filing of a prospectus may not be available to the Subscriber;

(n) if required by applicable securities legislation, regulations, rules, policies or orders or by any securities commission, stock exchange, other regulatory authority or the Corporation, the Subscriber will execute, deliver, file and otherwise assist the Corporation in filing, such reports, undertakings and other documents with respect to the issue of the Shares as may be required;

(o) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in a violation of any of the terms or provisions of any law applicable to the Subscriber, or any of the Subscriber's constating documents, or any agreement to which the Subscriber is a party or by which it is bound;

(p) the Subscriber acknowledges that it has obtained independent legal advice with respect to its subscription for Shares and accordingly, has been independently advised as to the meanings of all terms contained herein relevant to the Subscriber for the purposes of giving representations, warranties and covenants under this Subscription Agreement;

(q) the information provided by the Subscriber under the heading "Subscription and Subscriber Information" is true and correct in all material respects and will be true and correct as of the Closing Date;

(r) it does not act jointly or in concert with any other Subscriber under the Offering for the purposes of the acquisition of the Shares;

(s) it will not resell the Shares, except in accordance with the provisions of Applicable Securities Laws and Exchange rules, if applicable, in the future;

(t) the delivery of this Subscription Agreement, the acceptance hereof by the Corporation and the issuance of the Shares to the Subscriber complies with all applicable laws of the Subscriber's jurisdiction of residence and domicile and will not cause the Corporation or any of its officers or directors to become subject to or require any disclosure, prospectus or other reporting requirement;

(u) the Corporation may complete additional financings in the future in order to develop the business of the Corporation and to fund its ongoing development; that there is no assurance that such financings will be available and, if available, on reasonable terms; any such future financings may have a dilutive effect on current securityholders, including the Subscriber; that if such future financings are not available, the Corporation may be unable to fund its ongoing development and the lack of capital resources may result in the failure of its business venture;

(v) there is no Person acting or purporting to act on behalf of the Subscriber in connection with the transactions contemplated herein who is entitled to any brokerage or finder's fee. If any such Person establishes a claim that any fee or other compensation is payable in connection with this subscription for the Shares, the Subscriber covenants to indemnify and hold harmless the Corporation with respect thereto and with respect to all costs reasonably incurred in the defence thereof.

Covenants of the Corporation

9. The Corporation hereby covenants and agrees with the Subscriber, which covenants and agreements shall survive the Closing Time for the benefit of the Subscriber, as follows:

(a) the Corporation will maintain its status as a "reporting issuer" (or equivalent) in, and not in default of any requirement of the Applicable Securities Laws for a period of at least 48 months after the Closing Date, unless the common shares of the Corporation held by the Subscriber are sold, transferred or otherwise disposed of in a transaction that results in the Corporation ceasing to be a "reporting issuer" (or equivalent);

(b) the Corporation, or its successor, will remain a valid and subsisting corporation duly incorporated and in good standing under the laws of the jurisdiction in which it was incorporated, continued or amalgamated for a period of at least 48 months after the Closing Date, unless the common shares of the Corporation held by the Subscriber are sold, transferred or otherwise disposed of in a transaction that results in the Corporation ceasing to be a valid and subsisting corporation;

(c) the Corporation will maintain the listing of the common shares of the Corporation on the Exchange or an alternative North American stock exchange or automated quotation system for a period of

at least 48 months after the Closing Date, unless the common shares of the Corporation held by the Subscriber are sold, transferred or otherwise disposed of in a transaction that results in the Corporation's common shares no longer being listed;

(d) forthwith after the Closing, the Corporation will file such forms and documents as may be required under the Applicable Securities Laws of the Province of British Columbia relating to the Offering;

(e) the Corporation will perform and carry out all of the acts and things to be completed by it as provided in this Subscription Agreement; and

(f) during the 48 month period following the Closing Date, and provided the Subscriber holds at least 2% of the common shares of the Corporation on a non-diluted basis, the Corporation will not issue any securities (including any common shares or any debt or other securities of any kind convertible into common shares) of any type or class to any person (the "**Proposed Recipient**") unless the Corporation has offered to the Subscriber in accordance with the provisions of this Section (f), the right to purchase the Subscriber's Pro Rata Share of such issuance ("**Pre-emptive Rights**") for a per security consideration, payable solely in cash, equal to the per security consideration to be paid by the Proposed Recipient and otherwise on the same terms and conditions as are offered to the Proposed Recipient. The Corporation shall not be obligated to offer to the Subscriber any portion of such issuance above the Subscriber's Pro Rata Share. The Subscriber shall not be obliged to purchase any securities offered pursuant to this Section (f). The restrictions under this Section (f) shall not apply to (a) any issuance of securities in connection with any share split, share dividend or other similar event; (b) any issuance of securities in connection with the Corporation's share incentive plans; (c) any issuance of securities in connection with a shareholder rights plan; (d) any issuance of securities pursuant to the acquisition of another person (as defined by applicable corporate legislation) by the Corporation as approved by the board of directors of the Corporation by take-over bid, arrangement, consolidation, merger, purchase of assets, or other reorganization in which the Corporation acquires, in a single transaction or series of related transactions, all or substantially all assets of such other person, or 50% or more of the equity ownership or voting power of such other person; and (e) any other financing completed in connection with or conditional on the completion of the Business Combination. "**Pro Rata Share**" means, with respect to the Subscriber, the proportion that the number of common shares of the Corporation held by the Subscriber bears to the aggregate total issued and outstanding number of common shares of the Corporation immediately prior to such issuance. The Corporation shall provide to the Subscriber prior written notice containing the relevant particulars of any proposed issuance (which may provide a range of prices at which shares will be issued) to which such Pre-emptive Rights apply ("**Issuance Notice**") and the Subscriber shall, within 5 days' of receipt of such Issuance Notice (24 hours in the case of a proposed bought deal financing as described under Part 7 of National Instrument 44-101 – Short Form Prospectus Distributions, or any successor rule or policy), provide to the Corporation written notice of whether it intends to exercise its Pre-emptive Rights.

Closing

10. The Subscriber agrees to deliver to the Corporation, not later than 5:00 p.m. (Vancouver time) on the business day prior to the Closing Date either (a) a certified cheque or bank draft payable to Tekmira Pharmaceuticals Corporation for the Aggregate Subscription Amount subscribed for under this Subscription Agreement, or (b) funds in the Aggregate Subscription Amount by way of wire transfer to the account of _____ or payment of the same amount in such other manner as is acceptable to the Corporation.

11. The sale of the Shares pursuant to this Subscription Agreement will be completed at the offices of Lang Michener LLP, the Corporation's counsel, in Vancouver, British Columbia at the Closing Time, at which time certificates representing the Shares will be available against payment of the Aggregate Subscription Amount for delivery to the Subscriber as the Subscriber shall instruct.

12. The parties hereto agree that their obligations under this Subscription Agreement are conditional upon:

(a) the receipt of Exchange approval of (i) the Offering and (ii) the listing of the Shares on the Exchange, on or before May 30, 2008, in a manner consistent with the Exchange's letter to counsel for the Corporation dated March 19, 2008;

(b) **[Reserved]**

(c) the prior or concurrent completion of the proposed business combination between the Corporation and Protiva, as announced on March 30, 2008 ("**Business Combination**") in accordance with the terms and conditions of the Tekmira-Protiva Share Purchase Agreement, without any amendment, supplement, modification, waiver or consent by any party to the Tekmira-Protiva Share Purchase Agreement of any provision of the Tekmira-Protiva Share Purchase Agreement or the rights or obligations thereof, except as may be consented to by the Subscriber, acting reasonably and without undue delay;

(d) the Corporation and the Subscriber having negotiated, obtained all requisite corporate, governmental and third party approvals, and duly executing and delivering:

(i) an amendment and restatement of the License and Collaboration Agreement effective January 8, 2007 between the Subscriber and the Corporation (as the assignee of Inex Pharmaceuticals Corporation) to account for, among other things, the Business Combination and the sale of the Shares pursuant to this Subscription Agreement; and

(ii) an amendment and restatement of the Cross License Agreement effective August 14, 2007 between the Subscriber and Protiva to account for, among other things, the Business Combination and the sale of the Shares pursuant to this Subscription Agreement;

(e) the Subscriber, the Corporation and Protiva having negotiated, obtained all requisite governmental and third party approvals, and having duly executed and delivered a licence agreement on terms and conditions satisfactory to the Subscriber in its sole and absolute discretion;

(f) the Subscriber and Roche (or any affiliate thereof) having negotiated, obtained all requisite governmental and third party approvals, and having duly executed and delivered an amendment of the License Agreement dated July 9, 2007 between the Subscriber and an affiliate of Roche on terms and conditions satisfactory to the Subscriber in its sole and absolute discretion;

(g) the dismissal of the litigation between and among the Corporation, Protiva and other named defendants and third parties pending in the British Columbia Supreme Court as Court File No. S-061992 as contemplated by the form of consent dismissal order attached as Appendix D to the Tekmira-Protiva Share Purchase Agreement, including the entry of such order in such form, and without any of the parties entering into any written agreement, acknowledgment, waiver, consent or other binding obligation among some or all of such parties concerning the claims raised in such litigation or the intellectual property owned or controlled by any such party that is not approved by the Subscriber prior to the Closing Time;

(h) receipt by the Subscriber of the First Amendment and Conditional Termination of Loan and Security Agreement between the Subscriber and the Corporation dated March 28, 2008;

(i) the representations and warranties of each party herein and the representations and warranties made by each of the Corporation and Protiva in the Tekmira-Protiva Share Purchase Agreement being true and correct both as of the execution of this Subscription Agreement and as of the Closing Time, provided that for the purposes of this §12(i) the truthfulness and correctness of such representations and warranties will be determined without the benefit of any materiality qualification, including any Material Adverse Affect qualification, forming part of or otherwise qualifying such representations and warranties, and the covenants of each party herein have been complied with to the extent applicable prior to the Closing Time, except as affected by transactions, changes, conditions, events or circumstances contemplated or permitted by the Tekmira-Protiva Share Purchase Agreement or for breaches of representations and warranties which individually or in the aggregate do not have a Material Adverse Effect on the breaching party and would

not reasonably be expected to have a Material Adverse Effect on the breaching party immediately following the Closing Time;

(j) the receipt by the Subscriber of a favourable legal opinion dated the Closing Date from legal counsel for the Corporation, in form and substance satisfactory to the Subscriber, acting reasonably, with respect to the following:

(i) the incorporation, continuance, amalgamation or organization and the existence of the Corporation and each subsidiary under the laws of its jurisdiction of incorporation, continuance, amalgamation or organization, as applicable and is current and up-to-date with all material filings required to be made by it under such jurisdictions;

(ii) the authorized and issued share capital of the Corporation;

(iii) the number of shares of Protiva and each other subsidiary of which the Corporation is the sole registered holder;

(iv) the attributes of the Shares being consistent in all material respects with their description hereof;

(v) the Corporation having all requisite corporate power and authority under the laws of its jurisdiction of incorporation, continuance, amalgamation or organization to carry on its business as conducted by it and to own, lease and operate its property and assets in all jurisdictions in which such business is conducted;

(vi) the Corporation and subsidiary being qualified to carry on business and own or lease and operate its property and assets under the laws of its jurisdiction of incorporation, amalgamation or organization and in all jurisdictions in which such business is now conducted;

(vii) all necessary corporate action having been taken by the Corporation to authorize the execution and delivery of the Subscription Agreement;

(viii) the corporate power and capacity of the Corporation to enter into and perform, and the authorization, execution and delivery of, this Agreement and the enforceability of this Subscription Agreement, except (i) as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally, (ii) as limited by the application of equitable principles when equitable remedies are sought, (iii) that rights to indemnity and contribution may be limited under applicable law, (iv) that provisions that attempt to sever any provision of which is prohibited or unenforceable under applicable law without affecting the enforceability or validity of the remainder of the agreement would be determined only in the discretion of the court, and (v) other standard qualifications;

(ix) the Shares having been duly and validly authorized, issued and are outstanding as fully paid and non-assessable common shares of the Corporation, and if and when issued in accordance with this Subscription Agreement;

(xii) no consent, approval, authorization, order, registration or qualification of, or filing, registration or recording with, any court, regulatory body or government agency or body under the laws of the applicable jurisdictions and the laws of Canada being required for the consummation by the Corporation of the transactions contemplated by this Subscription Agreement, except for those which are disclosed to the Subscriber or may be required under the Securities Laws or the rules of the Exchange and have been obtained on or prior to the Closing Time;

(xiii) that the execution and delivery of this Agreement and the performance of the Corporation’s obligations hereunder and the issuance, sale and delivery of the Shares do not and will not

result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with:

(A) any of the terms, conditions or provisions of the articles or by-laws of the Corporation, or any resolution of their respective directors (or committees of directors) or shareholders;

(B) any Laws of British Columbia, Canada or Securities Laws applicable to the Corporation; or

(C) to counsel's knowledge, any mortgage, hypothec, note, indenture, contract, agreement (written or oral), instrument, concession, lease, licence, claim, application or other document to which the Corporation is a party or is subject or by which the Corporation or any of its assets is bound or, any applicable law or would give rise to the acceleration or maturity of any indebtedness or other material liabilities or obligations under any of the foregoing or which would materially adversely affect the consummation of the Offering;

(xiv) issuance and sale of the Shares to the Subscriber in accordance with the Subscription Agreements are exempt from the prospectus and registration requirements of applicable Securities Laws and no prospectus will be required to be filed, other than specified forms accompanied by requisite filing fees, no other documents will be required to be filed, no proceeding taken and no approval, permit, consent or authorization of the securities commissions will be required to be obtained under Applicable Securities Laws to permit such issuance and/or sale;

(xv) that based on letters received from the Exchange, the Shares have been conditionally approved for listing on the Exchange, subject only to compliance with the customary standard listing conditions;

(xvi) that the form of the certificate representing the common shares of the Corporation is in compliance with the requirements of the Business Corporations Act (British Columbia);

(xvii) that CIBC Mellon Trust Company has been duly appointed as the registrar and transfer agent of the Corporation;

(xviii) subject to the usual qualifications, that except as disclosed to the Subscriber, to such counsel's knowledge, there is no action, suit, proceeding or inquiry before any court, governmental agency or body, to which the Corporation or any of its subsidiary is a party or to which its property is subject which in any way would materially and adversely affect the Corporation; and

(xx) such other matters as the Subscriber may reasonably request; and

(k) **[Reserved]**.

13. The Corporation shall be entitled to rely on delivery of a facsimile copy or electronic copy of executed subscriptions, and acceptance by the Corporation of such facsimile subscriptions shall be legally effective to create a valid and binding agreement between the Subscriber and the Corporation in accordance with the terms hereof.

Privacy Legislation

14. The Subscriber acknowledges and consents to the fact that the Corporation is collecting the Subscriber's (and any beneficial purchaser for which the Subscriber is contracting hereunder) personal information (as that term is defined under applicable privacy legislation, including, without limitation, the *Personal Information Protection and Electronic Documents Act* (Canada) and any other applicable similar replacement or supplemental provincial or federal legislation or laws in effect from time to time) for the purpose of completing the Subscriber's

subscription. The Subscriber acknowledges and consents to the Corporation retaining the personal information for so long as permitted or required by applicable law. The Subscriber further acknowledges and consents to the fact that the Corporation may be required by Securities Laws, stock exchange rules and/or Investment Dealers Association of Canada rules to provide regulatory authorities any personal information provided by the Subscriber respecting itself. In addition to the foregoing, the Subscriber agrees and acknowledges that the Corporation may use and disclose the Subscriber's personal information, as follows:

(a) for use and disclosure to the Corporation's transfer agent and registrar;

(b) disclosure to securities regulatory authorities (including the Exchange) and other regulatory bodies with jurisdiction with respect to reports of trade and similar regulatory filings;

(c) disclosure to a governmental or other authority (including the Exchange) to which the disclosure is required by court order or subpoena compelling such disclosure and where there is no reasonable alternative to such disclosure;

(d) disclosure to professional advisers of the Corporation in connection with the performance of their professional services; or

(e) disclosure to a court determining the rights of the parties under this Subscription Agreement.

Notices

15. Any notice, direction or other instrument required or permitted to be given to any party hereto shall be in writing and shall be sufficiently given if delivered personally, or transmitted by facsimile tested prior to transmission to such party, as follows:

(a) in the case of the Corporation, to:

Tekmira Pharmaceuticals Corporation
200 – 8900 Glenlyon Parkway
Burnaby, British Columbia V5J 5J8

Attention: Ian C. Mortimer
Chief Financial Officer
Fax: (604) 419-3201

with a copy to:

Lang Michener LLP
1500 Royal Centre,
P.O. Box 11117
1055 West Georgia Street
Vancouver, British Columbia
V6E 4N7

Attention: Leo Raffin
Fax: (604) 685-7084

and, up to the Closing Time, to:

Protiva Biotherapeutics Inc.
100 – 3480 Gilmore Way
Burnaby, British Columbia V6G 4W7

Attention: Mark Murray
President and Chief Executive Officer

Fax: (604) 630-5063

and, up to the Closing Time, to:

Farris, Vaughan, Wills & Murphy LLP
2500 - 700 West Georgia Street
Pacific Centre South
Vancouver, British Columbia V7Y 1B3

Attention: R. Hector MacKay-Dunn, Q.C.
Fax: (604) 661-1730

(b) in the case of the Subscriber, at the address specified on the face page hereof.

Any such notice, direction or other instrument, if delivered personally, shall be deemed to have been given and received on the day on which it was delivered, provided that if such day is not a business day then the notice, direction or other instrument shall be deemed to have been given and received on the first business day next following such day and if transmitted by fax, shall be deemed to have been given and received on the day of its transmission, provided that if such day is not a business day or if it is transmitted or received after the end of normal business hours then the notice, direction or other instrument shall be deemed to have been given and received on the first business day next following the day of such transmission.

Any party hereto may change its address for service from time to time by notice given to each of the other parties hereto in accordance with the foregoing provisions.

General

16. The Corporation agrees that the representations, warranties and covenants of the Corporation herein will be true and correct both as of the acceptance of this Subscription Agreement and as of the Closing Time and will survive the completion of the issuance of the Shares for a period of two years thereafter. The representations, warranties and covenants of the Corporation herein are made with the intent that they be relied upon by the Subscriber in making its investment decision and the Corporation agrees to indemnify the Subscriber against all losses, claims, costs, expenses and damages or liabilities which it may suffer or incur which are caused or arise from an inaccuracy or breach thereof by the Corporation of its representations and warranties herein and reliance thereon by the Subscriber.

17. The Subscriber agrees that the representations, warranties and covenants of the Subscriber herein will be true and correct both as of the execution of this Subscription Agreement and as of the Closing Time and will survive the completion of the issuance of the Shares for a period of two years thereafter. The representations, warranties and covenants of the Subscriber herein are made with the intent that they be relied upon by the Corporation in determining the eligibility of a purchaser of Shares and the Subscriber agrees to indemnify the Corporation against all losses, claims, costs, expenses and damages or liabilities which it may suffer or incur which are caused or arise from an inaccuracy or breach thereof by the Subscriber of its representations and warranties herein and reliance thereon by the Corporation. The Subscriber undertakes to immediately notify (i) the Corporation at Tekmira Pharmaceuticals Corporation, 200 – 8900 Glenlyon Parkway, Burnaby, B.C., V5J 5J8, Attention: Ian C. Mortimer, Chief Financial Officer (Fax Number: (604) 419-3201) and Lang Michener LLP, 1500 Royal Centre, P.O. Box 11117, 1055 West Georgia Street, Vancouver, B.C., V6E 4N7, Attention: Leo Raffin, (Fax Number: (604) 685-7084) and (ii) and Protiva Biotherapeutics Inc., 100 – 3480 Gilmore Way, Burnaby, B.C. V6G 4W7, Attention: Mark Murray, President and Chief Executive Officer (Fax Number: (604) 630-5103) and Farris, Vaughan, Wills & Murphy LLP, 2500 – 700 West Georgia Street, Vancouver, B.C. V7Y 1B3, Attention: R. Hector MacKay-Dunn,

Q.C., (Fax Number: (604) 661-9349), of any material change in any statement or other information relating to the Subscriber set forth herein which takes place prior to the Closing Time.

18. The Subscriber acknowledges and agrees that all costs incurred by the Subscriber (including any fees and disbursements of any special counsel retained by the Subscriber) relating to the sale of the Shares to the Subscriber shall be borne by the Subscriber.

19. The Subscriber acknowledges that upon a subscription being accepted by the Corporation, the Corporation will, subject to the terms and conditions set out herein, issue to the Subscriber certificates evidencing the Subscriber's ownership of the Shares.

20. The terms and provisions of this Subscription Agreement shall be binding upon and enure to the benefit of the Subscriber and the Corporation and their respective heirs, executors, administrators, successors and assigns.

21. The contract arising out of this Subscription Agreement and all documents relating thereto shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein. The parties irrevocably attorn to the exclusive jurisdiction of the courts of the Province of British Columbia. Time shall be of the essence hereof.

22. Neither party to this Subscription Agreement may assign all or part of its interest in or to this Subscription Agreement without the consent in writing of the other party hereto.

23. This Subscription Agreement represents the entire agreement of the parties hereto relating to the subject matter hereof and there are no representations, covenants or other agreements relating to the subject matter hereof except as stated or referred to herein. Neither this Subscription Agreement nor any provision hereof shall be modified, changed, discharged or terminated except by an instrument in writing signed by the party against whom any waiver, change, discharge or termination is sought.

24. In this Subscription Agreement (including attachments), references to "$" or "Cdn. $" are to Canadian dollars, and references to "US$" are to United States dollars.

25. The Corporation hereby accepts the subscription for Shares as set forth on the face page of this Subscription Agreement on the terms and conditions contained in the Subscription Agreement (including all applicable Schedules) this 28th day of March, 2008.

TEKMIRA PHARMACEUTICALS CORPORATION

Per: /S/ TIMOTHY M. RUANE
Authorized Signing Officer

SCHEDULE A

UNITED STATES SUBSCRIBERS REPRESENTATION LETTER

This Representation Letter is being delivered in connection with the execution and delivery of the Subscription Agreement of the undersigned subscriber (the "Subscriber") in connection with the purchase of Shares of the Corporation. Capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Subscription Agreement. The Subscriber represents, warrants and covenants (which representations, warranties and covenants shall survive the Closing Date) on its own behalf and, if applicable, on behalf of any beneficial purchaser for whom the Subscriber is contracting hereunder to and with the Corporation and acknowledges that the Corporation is relying thereon that:

(a) The Subscriber is purchasing the Shares as principal for its own account and not for the benefit of any other Person and it is a "accredited investor" as that term is defined in Rule 501(a) of Regulation D ("U.S. Accredited Investor"); or subscribing for the Shares as agent for a beneficial principal disclosed on the execution page of this Subscription Agreement, and the Subscriber is an agent or trustee and each disclosed principal for whom it is acting as a U.S. Accredited Investor and is purchasing as principal for its own account and not for the benefit of any other Person; and the Subscriber has initialled the category of U.S. Accredited Investor applicable to the Subscriber and any beneficial principal below.

(b) The provisions of paragraph (a) of this Representation Letter will be true and correct both as of the date of execution of this Subscription Agreement and as of the Closing Date.

(c) The Subscriber has not purchased the Shares as a result of any form of general solicitation or general advertising (as those terms are used in Regulation D), including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio, or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising.

(d) The Corporation has provided the Subscriber with the opportunity to ask questions and receive answers concerning the terms and conditions of the Offering and the Subscriber has had access to such information concerning the Corporation as it has considered necessary or appropriate in connection with its investment decision to acquire the Shares.

(e) The Subscriber understands and acknowledges that none of the Shares have been or will be registered under the U.S. Securities Act or the securities laws of any state, and that the Shares are being offered and sold to a limited number of U.S. Accredited Investors in transactions not requiring registration under the U.S. Securities Act; accordingly, the Shares will be "restricted securities" within the meaning of Rule 144(a)(3) of the U.S. Securities Act.

(f) The Subscriber, and each beneficial principal, if any, is acquiring the Shares for investment purposes only and not with a view to any resale, distribution or other disposition of the Shares in violation of the United States securities laws.

(g) The Subscriber understands that if it (or any beneficial purchaser on whose behalf it is acting) decides to offer, sell or otherwise transfer any of the Shares, they may be offered, sold or otherwise transferred only (i) to the Corporation, (ii) outside the United States in compliance with Rule 904 of Regulation S, (iii) in compliance with the exemption from registration under the U.S. Securities Act provided by Rule 144 or Rule 144A thereunder, if available, and in compliance with any applicable state securities laws, or (iv) in a transaction that does not require registration under the U.S. Securities Act or any applicable state laws and regulations governing the offer and sale of securities and it has prior to such transfer furnished to the Corporation an opinion of counsel of recognized standing in form and substance satisfactory to the Corporation, and covenants that it will not offer or sell such securities except as set out above.

(h) The Subscriber understands that upon the original issuance thereof, and until such time as the same is no longer required under applicable requirements of the U.S. Securities Act or applicable state securities laws, certificates representing the Shares and all certificates issued in exchange therefore or in substitution thereof, shall bear the following legends:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR ANY STATE SECURITIES LAWS, AND MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (C) IN COMPLIANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 OR 144A THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE LAWS AND REGULATIONS GOVERNING THE OFFER AND SALE OF SECURITIES AND IT HAS PRIOR TO SUCH TRANSFER FURNISHED TO THE CORPORATION AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE CORPORATION."

"THE PRESENCE OF THIS LEGEND MAY IMPAIR THE ABILITY OF THE HOLDER HEREOF TO EFFECT "GOOD DELIVERY" OF THE SECURITIES REPRESENTED HEREBY ON A CANADIAN STOCK EXCHANGE. A CERTIFICATE WITHOUT A LEGEND MAY BE OBTAINED FROM THE REGISTRAR AND TRANSFER AGENT OF THE CORPORATION IN CONNECTION WITH A SALE OF THE SECURITIES REPRESENTED HEREBY AT A TIME WHEN THE CORPORATION IS A "FOREIGN ISSUER" AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT, UPON DELIVERY OF THIS CERTIFICATE, AN EXECUTED DECLARATION AND, IF REQUESTED BY THE CORPORATION OR THE TRANSFER AGENT, AN OPINION OF COUNSEL OF RECOGNIZED STANDING, EACH IN FORM SATISFACTORY TO THE TRANSFER AGENT OF THE CORPORATION AND THE CORPORATION, TO THE EFFECT THAT SUCH SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT.";

provided, that if the securities are being sold outside the United States in compliance with the requirements of Rule 904 of Regulation S at a time when the Corporation is a "foreign issuer" as defined in Regulation S at the time of sale, the legends set forth above may be removed by providing an executed declaration to the registrar and transfer agent of the Corporation, in substantially the forms set forth as Exhibit A-1 hereto (or in such other forms as the Corporation may prescribe from time to time) and, if requested by the Corporation or the transfer agent, an opinion of counsel of recognized standing in form and substance satisfactory to the Corporation and the transfer agent to the effect that such sale is being made in compliance with Rule 904 of Regulation S; and provided, further, that, if any Shares, if any, are being sold otherwise than in accordance with Regulation S and other than to the Corporation, the legend may be removed by delivery to the registrar and transfer agent and the Corporation of an opinion of counsel, of recognized standing reasonably satisfactory to the Corporation, that such legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws.

(i) The Subscriber understands that the Corporation is under no obligation to remain a "foreign issuer" (as defined in Regulation S) and may not be a "foreign issuer" at a time when the Subscriber wishes to transfer the Shares. The Subscriber further understands and acknowledges that the loss of the

Corporation's foreign issuer status would impede Subscriber's ability to remove the restrictive U.S. legends from the Securities in connection with a resale outside the United States.

(j) The Subscriber understands that the Corporation is not obligated to file and has no present intention of filing with the U.S. Securities and Exchange Commission or with any state securities administrator any registration statement in respect of resales of the Shares in the United States.

(k) The Subscriber understands and agrees that the financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles, which differ in some respects from United States generally accepted accounting principles, and thus may not be comparable to financial statements of United States companies.

(l) The Subscriber understands and agrees that there may be material tax consequences to it of an acquisition, holding or disposition of the Shares. The Corporation gives no opinion and makes no representation with respect to the tax consequences to the Subscriber under United States, state, local or foreign tax law of its acquisition, holding or disposition of such securities, and the Subscriber acknowledges that it is solely responsible for determining the tax consequences to its investment.

(m) The Subscriber hereby represents and warrants that the Subscriber (and, if the Subscriber is acting on behalf of a beneficial purchaser, such beneficial purchase) is a U.S. Accredited Investor as a result of satisfying the requirements of the paragraphs below to which the Subscriber has affixed his or her initials (**the line identified as "BP" is to be initialled by the undersigned if the beneficial purchaser, if any, satisfies the requirements of the corresponding paragraph**).

_____ _____(BP) A natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds US$1,000,000;

_____ _____(BP) Any natural person who had an individual income in excess of US$200,000 in each of the two most recent years or joint income with that person's spouse in excess of US$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

_____ _____(BP) Any entity in which all of the equity owners are U.S. Accredited Investors;

_____ _____(BP) Any bank as defined in Section 3(a)(2) of the U.S. Securities Act or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the U.S. Securities Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company as defined in Section 2(a)(13) of the U.S. Securities Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of US$5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of US$5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are U.S. Accredited Investors;

_____ _____(BP) Any private business development company as defined in Section 202(a)(22) of the Investments Advisers Act of 1940;

_____ _____(BP) Any organization described in section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership not formed for the specific purpose of acquiring the Purchased Securities, with total assets in excess of US$5,000,000;

_____ _____(BP) Any director or executive officer of the Corporation;

_____ _____(BP) Any trust with total assets in excess of US$5,000,000, not formed for the specific purpose of acquiring the Purchased Securities, whose purchase is directed by a sophisticated person, being defined as a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment.

DATED at _____ this__ day of ____, 2008.

By: _____
Name:
Title:

EXHIBIT A-1

FORM OF DECLARATION FOR REMOVAL OF LEGEND

TO: Tekmira Pharmaceuticals Corporation

AND TO: The registrar and transfer agent for the securities of Tekmira Pharmaceuticals Corporation

The undersigned (A) acknowledges that the sale of the securities of Tekmira Pharmaceuticals Corporation (the "Corporation") to which this declaration relates is being made in reliance on Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and (B) certifies that (1) the undersigned is not an "affiliate" of the Corporation as that term is defined in Rule 405 under the U.S. Securities Act, a "distributor" or an affiliate of "distributor", (2) the offer of such securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believed that the buyer was outside the United States or (b) the transaction was executed on or through the facilities of a "designated offshore securities market" (as defined in Rule 902 of the U.S. Securities Act) and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States, (3) neither the seller nor any affiliate of the seller nor any person acting on their behalf has engaged or will engage in any "directed selling efforts" in the United States in connection with the offer and sale of such securities, (4) the sale is bona fide and not for the purpose of "washing-off" the resale restrictions imposed because the securities are "restricted securities" as that term is described in Rule 144(a)(3) under the U.S. Securities Act, (5) the seller does not intend to replace such securities sold in reliance on Rule 904 of the U.S. Securities Act with fungible unrestricted securities, and (6) the contemplated sale is not a transaction, or part of a series of transactions, which, although in technical compliance with Regulation S, is part of a plan or scheme to evade the registration provisions of the U.S. Securities Act. Unless otherwise specified, terms set forth above in quotation marks have the meanings given to them by Regulation S promulgated under the U.S. Securities Act.

DATED: _____

By: _____
Name:
Title:

AFFIRMATION BY SELLER'S BROKER-DEALER

We have read the foregoing representations of our customer, _____ (the "Seller") dated _____, with regard to the sale, for such Seller's account, of the _____ represented by certificate number _____ of the Corporation described therein, and we hereby affirm that, to the best of our knowledge and belief, the facts set forth therein are full, true and correct.

_____
Name of Firm

By: _____
Authorized officer

SUBSCRIPTION FOR SHARES
(Roche Finance Ltd.)

TO: Tekmira Pharmaceuticals Corporation (the "Corporation")
DATED: March 31, 2008

The undersigned (the "**Subscriber**") hereby irrevocably subscribes for and agrees to purchase 2,083,333 common shares of the Corporation (the "**Shares**") at the subscription price of Cdn. $2.40 per Share (the "**Subscription Price**"), upon and subject to the terms and conditions set forth in "Terms and Conditions of Subscription for Shares of Tekmira Pharmaceuticals Corporation" attached hereto (together with the face pages and the attached Schedules, the "**Subscription Agreement**").

The Shares are listed on the Toronto Stock Exchange (the "**Exchange**") and as a result the Corporation is subject to the rules and policies of the Exchange. The Corporation is also a "reporting issuer" (or equivalent) under the securities laws of all of the provinces of Canada.

SUBSCRIPTION AND SUBSCRIBER INFORMATION

Please print all information (other than signatures), as applicable, in the space provided below.

Roche Finance Ltd.
(Name of Subscriber)

Account Reference (if applicable):

By: /S/ DR. BEAT KRACHENMANN
Authorized Signature

By: /S/ DR. BRUNO MAIER
Authorized Signatory

Dr. Beat Krachenmann / Dr. Bruno Maier
(Name of individual whose signature appears above if different than the name of the subscriber printed above.)

Grenzacherstrasse 124, CH-4070 Basel, Switzerland
(Subscriber's Address, including Province/State)

+41 61 688 2825
(Telephone Number) (Email Address)

Account Registration Information:

(Name)

(Account Reference, if applicable)

(Address, including Postal/Zip Code)

Number and kind of Shares of the Corporation held, if any:

Number of Shares: 2,083,333

Aggregate Subscription Amount:
Cdn.$4,999,999.20
(the "**Aggregate Subscription Amount**")

If the Subscriber is signing as agent for a principal (beneficial purchaser) and is not purchasing as trustee or agent for accounts fully managed by it, complete the following:

(Name of Principal)

(Principal's Address)

(Telephone Number) (Email Address)

Delivery Instructions as set forth below:
☒ Same as registered address, or

(Name)

(Account Reference, if applicable)

(Address)

(Contact Name) (Telephone Number)

TERMS AND CONDITIONS OF SUBSCRIPTION FOR

SHARES OF TEKMIRA PHARMACEUTICALS CORPORATION

Terms of the Offering

1. The Subscriber acknowledges (on its own behalf and, if applicable, on behalf of each Person on whose behalf the Subscriber is contracting) that this subscription is subject to acceptance or rejection by the Corporation in whole or in part. Acceptance of this subscription shall be effective upon the delivery of a facsimile copy or electronic copy of this Subscription Agreement, duly executed by the Corporation, to the Subscriber. The Corporation shall, by its acceptance of this subscription, be bound by the terms and conditions hereof. The parties agree that this Subscription and all money tendered herewith will be returned to the Subscriber, without interest or deduction, if this Subscription is not accepted by the Corporation.

2. The Subscriber acknowledges (on its own behalf and, if applicable, on behalf of each Person on whose behalf the Subscriber is contracting) that this offering of Shares (the "**Offering**") will not in any way restrict the Corporation from issuing additional Shares of the Corporation at prices, on terms and in amounts as may be determined by the Corporation, in its sole and absolute discretion, subject to the pre-emptive rights of the Subscriber as set forth in Section 9(f) below.

3. This Agreement and the parties' obligations hereunder shall terminate upon the earlier of (i) June 30, 2008 and (ii) the termination of the share purchase agreement in connection with the Business Combination ("**Termination Date**") and the Corporation acknowledges that any obligations of the Subscriber pursuant this Subscription Agreement shall be null and void on and after such Termination Date.

Definitions

4. (a) "Applicable Securities Laws" means, collectively, the securities legislation having application in each of the Reporting Jurisdictions and the respective regulations and rules under such legislation and the instruments, policies, rulings, orders, codes, notices and interpretation notes of the applicable Regulatory Authorities having application;

(b) "Business Combination" has the meaning set forth in Section 12(c);

(c) "Closing Date" means such date for closing of the Offering as agreed to by the Corporation and the Subscriber;

(d) "Closing Time" means 8:00 a.m. Vancouver time on the Closing Date, or such other time as agreed to by the Corporation and the Subscriber;

(e) "Exchange" means the Toronto Stock Exchange;

(f) "Disclosure Documents" means the documents filed by the Corporation, and from December 30, 2005 until April 30, 2007, by 1322256 Alberta Ltd. (formerly Inex Pharmaceuticals Corporation), under their respective profiles at www.sedar.com;

(g) "Material Adverse Effect" means, any effect in or on the business, operations, results of operations, assets, liabilities, obligations (whether absolute, accrued, conditional, contingent or otherwise), or condition (financial or otherwise) of a Person (on a consolidated basis) which is material and adverse to such Person (on a consolidated basis) other than a change, effect, event or occurrence relating to (i) general political, economic or financial conditions, including in Canada and the United States or internationally, (ii) the state of Canadian, United States or international credit, securities or currency exchange markets in general, including any reduction in market indices, (iii) factors affecting the industries in which such Person operates in general, (iv) changes in Laws or interpretations thereof by any Governmental Entity, (v)

any failure, in and of itself, by a Person to meet any of its published estimates of revenues for any period ending on or after the date of this Agreement and before the Closing Date, (vi) the announcement of the transactions contemplated by the Tekmira-Protiva Share Purchase Agreement or other communication by Tekmira of its plans or intentions with respect to its business or that of Protiva's following the closing of the Business Combination, (vii) the consummation of the transactions contemplated by the Tekmira-Protiva Share Purchase Agreement or any actions taken pursuant to the Tekmira-Protiva Share Purchase Agreement, (viii) any delay or disruption to the ordinary course of a Person's business occasioned by the announcement or implementation of the transactions contemplated by the Tekmira-Protiva Share Purchase Agreement, (ix) any natural disaster or any acts of terrorism, sabotage, military action or war (whether or not declared) or any escalation or worsening thereof; (x) any change in the market price or trading volume of the Tekmira Shares, (xi) any suspension, rejection, refusal of or request to re-file any regulatory application or filing, (xii) any negative actions, requests, recommendations or decisions of the United States Food and Drug Administration (the "**FDA**"), Health Canada or similar Governmental Entity which would materially and adversely cause a delay in the development of a product candidate, (xiii) any change, effect, event or occurrence relating to a Person's clinical trials or studies, (xiv) any change, effect, event or occurrence relating to the products, product candidates, clinical trials or studies of any other Person, (xv) safety findings with respect to a therapeutic agent, (xvi) changes in generally accepted accounting principles or regulatory accounting requirements, (xvii) any action taken by any Person or any of its subsidiaries to which the other party hereto has consented to in writing; (xviii) any matter, either alone or in combination with other matters, that has been previously disclosed, or (xix) any disputes or litigation with respect to any intellectual property rights;

(h) "Person" means an individual, a firm, a corporation, a syndicate, a partnership, a trust, an association, an unincorporated organization, a joint venture, an investment club, a government or an agency or political subdivision thereof and every other form of legal or business entity of whatsoever nature or kind;

(i) "Regulatory Authorities" means the securities commission or similar regulatory authority in each of the Reporting Jurisdictions;

(j) "Reporting Jurisdictions" means all of the provinces of Canada;

(k) "Securities Laws" means the securities legislation and the regulations and rules under such legislation, and the instruments, policies, rulings, orders, codes, notices and interpretation notes of the applicable securities commission or similar regulatory authority of the applicable jurisdiction;

(l) "subsidiary" has the meaning ascribed to it in the *Business Corporations Act* (British Columbia), and for the purposes of any certificate delivered with respect to the closing condition in section 12(i) hereto and when used in any representations and warranties of the Corporation made as at the Closing Time, includes Protiva Biotherapeutics Inc. ("**Protiva**"); and

(m) "Tekmira-Protiva Share Purchase Agreement" means the share purchase agreement by and among Protiva, Protiva's securityholders and the Corporation dated March 28, 2008.

Representations and Warranties of the Corporation

5. The Corporation hereby represents and warrants to the Subscriber (and acknowledges that the Subscriber is relying thereon) that, as at the date of acceptance of this subscription and at the Closing Time:

(a) each of the Corporation and its subsidiaries is a valid and subsisting corporation duly incorporated and in good standing under the laws of the jurisdiction in which it was incorporated, continued or amalgamated and has all the requisite corporate power and authority to enter into this Subscription Agreement and to carry out its obligations hereunder;

(b) there are no shareholders' agreements governing the affairs of the Corporation or any of its subsidiaries or relationship, rights and duties of its shareholders nor are there any voting trusts, pooling arrangements or similar agreements with respect to the ownership or voting of any equity in trust in the Corporation;

(c) **[Intentionally deleted]**

(d) the authorized capital of the Corporation consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value, of which as at the date hereof, 24,565,681 common shares and no preferred shares are issued and outstanding as fully paid and non-assessable, and the Shares to be issued under this Subscription Agreement will at the time of issue, be validly issued and outstanding as fully paid and non-assessable;

(e) all of the material transactions of the Corporation have been promptly and properly recorded or filed in or with the books or records of the Corporation and the minute books of the Corporation contain all records of the meetings and proceedings of the Corporation's directors, shareholders and other committees, if any, since its incorporation;

(f) each of the Corporation and its subsidiaries has the corporate power and capacity to own the assets owned by it and to carry on the business carried on by it and is duly qualified to carry on its business under the laws of each jurisdiction in which it carries on business or holds property to the extent required by such laws;

(g) each of the Corporation and its subsidiaries has good and marketable title to its assets free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands of any kind whatsoever, except for equipment leases;

(h) to the best of the Corporation's knowledge, each of the Corporation and its subsidiaries owns, possesses or licenses all patents, patent rights, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names (the "**Intellectual Property**") necessary to carry on the business now operated by it, except where the failure to own, possess, license or otherwise be able to use or acquire the Intellectual Property would not, singly or in the aggregate, have a Material Adverse Effect on the Corporation and its subsidiaries, taken as a whole;

(i) neither the Corporation nor its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of its Intellectual Property which, singly or in the aggregate, if the subject of an unfavourable decision, ruling or finding, would have a Material Adverse Effect on the Corporation;

(j) each of the Corporation and its subsidiaries now holds, and as of the Closing Date will hold, all licenses, certificates, approvals and permits from all state, United States, foreign and other regulatory authorities, including but not limited to the FDA and any foreign regulatory authorities performing functions similar to those performed by the FDA, that are material to the conduct of its business (as such business is currently conducted), except for such licenses, certificates, approvals and permits the failure of which to hold would not have a Material Adverse Effect on the Corporation and its subsidiaries, taken as a whole, all of which are valid and in full force and effect (and there is no proceeding pending or, to the knowledge of the Corporation, threatened which may cause any such license, certificate, approval or permit to be withdrawn, cancelled, suspended or not renewed). Neither the Corporation nor its subsidiaries is in violation of any law, order, rule, regulation, writ, injunction or decree of any court or governmental agency or body, applicable to the investigation of new drugs in humans and animals, including, but not limited to, those promulgated by the FDA, the violation of which would have a Material Adverse Effect on the Corporation and its subsidiaries, taken as a whole. All of the descriptions in the Disclosure Documents Incorporated of the legal and governmental proceedings by or before the FDA or any foreign, state or local government body exercising comparable authority are accurate, complete and fair;

(k) the clinical studies and tests (including, but without limitation, the human and animal clinical trials) that were conducted by and are being conducted by the Corporation or in which the Corporation has directly participated and is participating, which are described in the Disclosure Documents or the results of which are referred to in the Disclosure Documents, and, to the best of the Corporation's knowledge, such studies and test that were conducted on behalf of the Corporation, were and, if still pending, are being conducted in all material respects (i) in accordance with the protocols, procedures and controls for such studies and tests of new medical devices or biologic products, as the case may be, and (ii) in accordance with all applicable laws, rules and regulations; the descriptions of the results of such studies and tests contained in the Disclosure Documents are accurate, complete and fair, and the Corporation has no knowledge of any other studies or tests, the results of which call into question the results described or referred to in the Disclosure Documents, and the Corporation has not received any notices or correspondence from the FDA or any other governmental agency requiring the termination, suspension or modification of any studies or tests conducted by, or on behalf of, the Corporation or in which the Corporation has participated that are described in the Disclosure Documents or the results of which are referred to in the Disclosure Documents that would result in an untrue statement in the Disclosure Documents or require a fact to be stated in order to make a statement in the Disclosure Documents not misleading in light of the circumstances in which it was made or otherwise necessitate a change to the descriptions in the Disclosure Documents;

(l)(i) each of the Corporation and its subsidiaries (x) has conducted and are conducting its business in compliance in all material respects with all applicable laws, rules and regulations of each jurisdiction in which its business is carried on including, without limitation, all applicable licensing and waste management legislation, regulations or by-laws, occupational health and safety laws, environmental protection legislation, regulations or by-laws or similar legislation, regulations or by-laws (including ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including laws relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "**Hazardous Materials**") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "**Environmental Laws**"); (y) holds all necessary licences, permits, approvals, consents, certificates, registrations and authorizations, whether governmental, regulatory or otherwise under any applicable Environmental Law, to enable its business to be carried on as now conducted and its property and assets to be owned, leased and operated, and the same are validly existing and in good standing, except to the extent that non-compliance with any such laws, rules or regulations, or failure to hold any such licences, permits, or similar approvals would not have a Material Adverse Effect on the Corporation and its subsidiaries, taken as a whole; (ii) there are no pending or, to the knowledge of the Corporation, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigation or proceedings relating to any Environmental Laws against the Corporation and its subsidiaries and (iii) there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Corporation and its subsidiaries relating to Hazardous Materials or any Environmental Laws;

(m) the Corporation is not aware of any legislation or expected changes, amendments or repeal of any legislation which it anticipates will have a Material Adverse Effect on the Corporation or its subsidiaries, taken as a whole;

(n) there is no action, proceeding or investigation, whether or not purportedly on behalf of the Corporation or any of its subsidiaries, pending or, to the knowledge of the Corporation or its directors and officers, threatened against or affecting the Corporation, at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board or agency, domestic or foreign, which could in any way result in a Material Adverse Effect on the Corporation or which questions the validity of the issuance of the Shares or of any action taken or to be taken by the Corporation pursuant to or in connection with this Subscription Agreement;

(o) CIBC Mellon Trust Company, at its principal offices in the cities of Vancouver and Toronto has been duly appointed transfer agent and registrar for the common shares of the Corporation;

(p) neither the Corporation nor its subsidiaries, in a manner that would be materially adverse to the Corporation or its subsidiaries, is in violation of its constating documents or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, trust, deed, mortgage, loan agreement, note, lease or other agreement or instrument to which it is a party or by which it or its property may be bound;

(q) the Corporation has filed all documents required to be filed with the Regulatory Authorities and the Exchange and such documents have been filed within the times prescribed; the Disclosure Documents contain no untrue statement of a material fact (as defined under Applicable Securities Laws) as at the date thereof nor do they omit to state a material fact which, at the date thereof, was required to have been stated or was necessary to prevent a statement that was made from being false or misleading in the circumstances in which it was made and were prepared in accordance with and complied with Applicable Securities Laws;

(r) the Corporation is, and at the Closing Time, will be a reporting issuer (or equivalent) in all of the provinces of Canada, and the Corporation is not, and at the Closing Time will not be, in default of any of the requirements of the Applicable Securities Laws;

(s) the common shares of the Corporation are, and at the Closing Time will be, listed and posted for trading on the Exchange and the Corporation is not, and at the Closing Time will not be, in default of any of the listing requirements of the Exchange;

(t) none of the holders of common shares of the Corporation or the directors or officers of the Corporation or any associate or affiliate of any of the foregoing had, has or to the knowledge of the Corporation intends to have, any material interest, direct or indirect, in any material transaction including the Business Combination, or any proposed material transaction with the Corporation which, as the case may be, materially affects, is material to or will materially affect the Corporation, except as disclosed in the Disclosure Documents and except for Dr. Pieter Cullis, who holds approximately 70,000 shares of Protiva;

(u) except as set forth in the subscription agreement made by Alnylam Pharmaceuticals, Inc. ("**Alnylam**") dated March 28, 2008 and as set forth herein, no person, firm or corporation has any agreement, option, right or privilege, whether pre-emptive, contractual or otherwise, capable of becoming an agreement for the purchase, acquisition, subscription for or issuance of any of the unissued shares or other securities of the Corporation, other than rights issued under the Corporation's share incentive plans or pursuant to the Business Combination;

(v) **[Reserved]**

(w) neither the Corporation nor any of its subsidiaries, as applicable, is in default in the performance or in breach of any of their obligations pursuant to any existing contract, document or agreement between the Corporation or any of its subsidiaries and Alnylam, no representation or warranty of the Corporation or any of its subsidiaries set forth in any of such contracts, documents or agreements was untrue in any respect when made, and neither the Corporation nor any of its subsidiaries, as applicable, has committed any fraud or material misstatement or omission of fact that is required to be stated or disclosed pursuant to such contracts, documents or agreements;

(x) the audited financial statements of the Corporation for its fiscal years ended December 31, 2006 and 2005, the unaudited financial statements of the Corporation for the interim nine month period ended September 30, 2007, and any other financial statements to be filed by the Corporation on www.sedar.com including the notes thereto, (collectively the "**Financial Statements**") are and will be true and correct in every material respect and present fairly and accurately the financial position and results of the operations of the Corporation for the periods then ended and the Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a consistent basis;

(y) except as described in the Financial Statements, there are no material liabilities of the Corporation, whether direct, indirect, absolute, contingent or otherwise;

(z) since December 31, 2006, no material change (as defined under Applicable Securities Laws) (actual, anticipated, proposed or prospective, whether financial or otherwise) in the business, prospects, financial condition or results of operations of the Corporation or the right or capacity of the Corporation to carry on its business or the capital of the Corporation has occurred with respect to which the requisite material change report has not been filed and no such report has been filed on a confidential basis;

(aa) each of the Corporation and its subsidiaries has duly and on a timely basis filed all tax returns required to be filed by it, has paid all taxes due and payable by it and have paid all assessments and re-assessments and all other taxes, governmental charges, penalties, interest and other fines due and payable by it and which are claimed by any governmental authority to be due and owing, and adequate provision has been made for taxes payable for any completed fiscal period for which tax returns are not yet required to be filed;

(bb) there are no agreements, waivers or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any tax, governmental charge or deficiency by the Corporation or any of its subsidiaries; there are no actions, suits or proceedings threatened or pending against the Corporation or any of its subsidiaries in respect of taxes, governmental charges or assessments and there are no matters under discussion with any governmental authority relating to taxes, governmental charges or assessments asserted by any such authority;

(cc) the Corporation is not an "investment company" under the U.S. Investment Company Act of 1940, as amended, and, for as long as the Subscriber owns any shares purchased under this Subscription Agreement, the Corporation shall take all actions necessary to ensure that it not an "investment company" under the U.S. Investment Company Act of 1940, as amended;

(dd) the execution and delivery of this Subscription Agreement, the fulfilment of the terms hereof by the Corporation, and the issuance, sale and delivery of the Shares at the Closing Time:

(i) do not require the consent, approval, authorization, registration or qualification of or with any governmental authority, stock exchange, Regulatory Authority or other third party, except:

(A) such as have been obtained or will be obtained prior to the Closing Time; and

(B) such as may be required (and will be obtained as provided herein) under Applicable Securities Laws; and

(ii) do not and will not result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with:

(A) any of the terms, conditions or provisions of the articles or notice of articles of the Corporation, or resolutions of the shareholders, directors, or any committee of directors of the Corporation, respectively, or any material indenture, agreement or instrument to which the Corporation is a party or by which either of them is contractually bound; or

(B) any laws of Canada or the Province of British Columbia or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Corporation;

(iii) have been duly authorized by all necessary corporate action on the part of the Corporation and upon such execution and delivery of this Subscription Agreement by the Corporation this Subscription Agreement shall constitute a valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and

other laws relating to or affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought, and by the fact that rights to indemnity, contribution and waiver, and the ability to sever unenforceable terms, may be limited by applicable law;

(ee) there is no person, firm or corporation acting or purporting to act for the Corporation entitled to any brokerage or finder's fee in connection with this Subscription Agreement or any of the transactions contemplated hereunder;

(ff) all Shares to be issued under this Subscription Agreement have been or before the Closing Time will be duly authorized for issuance and, when certificates for such securities are countersigned by the Corporation's transfer agent and registrar and issued, delivered and paid for, will be validly issued, fully paid and non-assessable common shares of the Corporation registered in the names of the holders thereof, free and clear of all voting restrictions, trade restrictions (except as may be imposed by operation of Applicable Securities Laws), liens, charges or encumbrances of any kind whatsoever, and all statements made in the Disclosure Documents describing such securities are and, at the respective times of filing thereof, will be accurate;

(gg) the definitive form of certificate for the common shares of the Corporation is in proper form under the laws of British Columbia and complies with the requirements of the Exchange and the articles of the Corporation;

(hh) no Regulatory Authority has issued any order preventing or suspending trading in any securities of the Corporation or prohibiting the issue and sale of the Shares, no such proceedings for such purpose are pending or, to the knowledge of the Corporation, threatened;

(ii) no representation and warranty or other statement made by the Corporation in this Subscription Agreement contains any untrue statement or omits to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made; and

(jj) as at the date of acceptance of this subscription, the representations and warranties made by Protiva in the Tekmira-Protiva Share Purchase Agreement are true and correct and, as at the Closing Time, the representations and warranties made by Protiva in the Tekmira-Protiva Share Purchase Agreement are true and correct (in both cases, as if such representations and warranties were given by the Corporation herein) except as affected by transactions, changes, conditions, events or circumstances contemplated or permitted by the Tekmira-Protiva Share Purchase Agreement, in both cases without any amendment, supplement, modification, waiver or consent by any party to the Tekmira-Protiva Share Purchase Agreement of any provision of the Tekmira-Protiva Share Purchase Agreement, except as may be consented to by the Subscriber, acting reasonably and without undue delay, and the Tekmira-Protiva Share Purchase Agreement is in full force and effect and has not been amended, supplemented or modified in any manner or way whatsoever and no provision, exhibit or schedule thereof has been waived or any breach thereof consented to, except as may be consented to by the Subscriber, acting reasonably and without undue delay.

Acknowledgements, Representations, Warranties and Covenants of the Subscriber

6. **[Reserved]**

7. The Subscriber acknowledges that the Offering, of which this Subscription Agreement forms a part, is not subject to a minimum subscription level and as such, upon acceptance by the Corporation in accordance with the terms and conditions of this Subscription Agreement, subscription funds will be immediately available for use by the Corporation. The Subscriber further acknowledges that the Corporation may complete additional financings in the future which may have a dilutive effect on existing shareholders at such time, including a Subscriber hereunder.

8. The Subscriber acknowledges, represents, warrants and covenants to the Corporation that:

(a) it has been independently advised as to the restrictions with respect to trading in the Shares imposed by applicable securities regulatory legislation, confirms that no representation has been made to it by or on behalf of the Corporation with respect thereto, acknowledges that it is aware of the characteristics of the Shares, the risks relating to an investment therein and of the fact that it may not be able to resell the Shares except in accordance with limited exemptions under applicable securities legislation and regulatory policy until expiry of the applicable restriction period and compliance with the other requirements of applicable law, and it agrees that any certificates representing the Shares may bear the following legends:

"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THESE SECURITIES MUST NOT TRADE THE SECURITIES BEFORE <INSERT DATE THAT IS FOUR (4) MONTHS AND ONE (1) DAY AFTER CLOSING DATE>.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE LISTED ON THE TORONTO STOCK EXCHANGE; HOWEVER, THE SAID SECURITIES CANNOT BE TRADED THROUGH THE FACILITIES OF SUCH EXCHANGE SINCE THEY ARE NOT FREELY TRANSFERABLE, AND CONSEQUENTLY ANY CERTIFICATE REPRESENTING SUCH SECURITIES IS NOT "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON THE TORONTO STOCK EXCHANGE."

(b) it has not received or been provided with, nor has it requested, nor does it have any need to receive, any prospectus or offering memorandum, or any other document (other than financial statements, interim financial statements or any other document, the content of which is prescribed by statute or regulation) describing the business and affairs of the Corporation which has been prepared for delivery to, and review by, prospective purchasers in order to assist it in making an investment decision in respect of the Shares;

(c) it has not become aware of any advertisement in printed media of general and regular paid circulation (or other printed public media), radio, television or telecommunications or other form of advertisement (including electronic display) with respect to the distribution of the Shares;

(d) it has relied solely upon information publicly available on SEDAR relating to the Corporation and the representations and warranties contained within this Subscription Agreement and other existing and proposed agreements by and among the Subscriber, the Corporation, Alnylam and Protiva, and not upon any verbal or other written representation as to fact or otherwise made by or on behalf of the Corporation;

(e) it acknowledges that:

(i) it is not resident in British Columbia;

(ii) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Shares;

(iii) there is no government or other insurance covering the Shares;

(iv) there are risks associated with the purchase of the Shares;

(v) there are restrictions on the Subscriber's ability to resell the Shares and it is the responsibility of the Subscriber to find out what those restrictions are and to comply with them before selling any of the Shares; and

(vi) the Corporation has advised the Subscriber that the Corporation is relying on an exemption from the requirements to provide the Subscriber with a prospectus and to sell the Shares through a Person registered to sell securities under the *Securities Act* (British Columbia) and, as a consequence of acquiring the Shares pursuant to this exemption, certain protections, rights and remedies provided by the *Securities Act* (British Columbia), including statutory rights of rescission or damages, will not be available to the Subscriber;

(f) it is aware that none of the Shares have been nor will be registered under the United States *Securities Act of 1933*, as amended ("**U.S. Securities Act**") and that these Shares may not be offered or sold in the United States without registration under the U.S. Securities Act or compliance with requirements of an exemption from registration;

(g) it undertakes and agrees that it will not offer, sell or otherwise dispose of any of the Shares in the United States unless the Corporation has consented to such offer, disposition or sale and such Shares are registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available, and further that it will not resell any of the Shares in any jurisdiction, except in accordance with the provisions of applicable securities legislation, regulations, rules, policies and orders and stock exchange rules;

(h) the Subscriber is duly incorporated and is validly subsisting under the laws of its jurisdiction of incorporation and has all requisite legal and corporate power and authority to execute and deliver this Subscription Agreement, to subscribe for the Shares as contemplated herein and to carry out and perform its obligations under the terms of this Subscription Agreement;

(i) this Subscription Agreement has been duly and validly authorized, executed and delivered by and constitutes a legal, valid, binding and enforceable obligation of the Subscriber;

(j) it acknowledges that no representation has been made to it:

(i) as to the future value or price of the Shares;

(ii) that any Person will resell or repurchase the Shares; or;

(iii) that any Person will refund the purchase price of the Shares;

(k) it has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment and it is able to bear the economic risk of loss of its investment;

(l) it understands that the Shares are being offered for sale only on a "private placement" basis and that the sale and delivery of the Shares is conditional upon such sale being exempt from the requirements as to the filing of a prospectus or the preparation of an offering memorandum in prescribed form or upon the issuance of such orders, consents or approvals as may be required to permit such sale without the requirement of filing a prospectus or delivering an offering memorandum in prescribed form and that certain protections, rights and remedies provided by applicable securities legislation, in connection with the filing of a prospectus may not be available to the Subscriber;

(m) if required by applicable securities legislation, regulations, rules, policies or orders or by any securities commission, stock exchange, other regulatory authority or the Corporation, the Subscriber will execute, deliver, file and otherwise assist the Corporation in filing, such reports, undertakings and other documents with respect to the issue of the Shares as may be required;

(n) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in a violation of any of the terms or provisions of any law applicable to the Subscriber, or any of the Subscriber's constating documents, or any agreement to which the Subscriber is a party or by which it is bound;

(o) the Subscriber acknowledges that it has obtained independent legal advice with respect to its subscription for Shares and accordingly, has been independently advised as to the meanings of all terms contained herein relevant to the Subscriber for the purposes of giving representations, warranties and covenants under this Subscription Agreement;

(p) the information provided by the Subscriber under the heading "Subscription and Subscriber Information" is true and correct in all material respects and will be true and correct as of the Closing Date;

(q) it does not act jointly or in concert with any other Subscriber under the Offering for the purposes of the acquisition of the Shares;

(r) it will not resell the Shares, except in accordance with the provisions of Applicable Securities Laws and Exchange rules, if applicable, in the future;

(s) the delivery of this Subscription Agreement, the acceptance hereof by the Corporation and the issuance of the Shares to the Subscriber complies with all applicable laws of the Subscriber's jurisdiction of residence and domicile and will not cause the Corporation or any of its officers or directors to become subject to or require any disclosure, prospectus or other reporting requirement;

(t) the Corporation may complete additional financings in the future in order to develop the business of the Corporation and to fund its ongoing development; that there is no assurance that such financings will be available and, if available, on reasonable terms; any such future financings may have a dilutive effect on current securityholders, including the Subscriber; that if such future financings are not available, the Corporation may be unable to fund its ongoing development and the lack of capital resources may result in the failure of its business venture;

(u) there is no Person acting or purporting to act on behalf of the Subscriber in connection with the transactions contemplated herein who is entitled to any brokerage or finder's fee. If any such Person establishes a claim that any fee or other compensation is payable in connection with this subscription for the Shares, the Subscriber covenants to indemnify and hold harmless the Corporation with respect thereto and with respect to all costs reasonably incurred in the defence thereof.

Covenants of the Corporation

9. The Corporation hereby covenants and agrees with the Subscriber, which covenants and agreements shall survive the Closing Time for the benefit of the Subscriber, as follows:

(a) the Corporation will maintain its status as a "reporting issuer" (or equivalent) in, and not in default of any requirement of the Applicable Securities Laws for a period of at least 48 months after the Closing Date, unless the common shares of the Corporation held by the Subscriber are sold, transferred or otherwise disposed of in a transaction that results in the Corporation ceasing to be a "reporting issuer" (or equivalent);

(b) the Corporation, or its successor, will remain a valid and subsisting corporation duly incorporated and in good standing under the laws of the jurisdiction in which it was incorporated, continued or amalgamated for a period of at least 48 months after the Closing Date, unless the common shares of the Corporation held by the Subscriber are sold, transferred or otherwise disposed of in a transaction that results in the Corporation ceasing to be a valid and subsisting corporation;

(c) the Corporation will maintain the listing of the common shares of the Corporation on the Exchange or an alternative North American stock exchange or automated quotation system for a period of at least 48 months after the Closing Date, unless the common shares of the Corporation held by the Subscriber are sold, transferred or otherwise disposed of in a transaction that results in the Corporation's common shares no longer being listed;

(d) forthwith after the Closing, the Corporation will file such forms and documents as may be required under the Applicable Securities Laws of the Province of British Columbia relating to the Offering;

(e) the Corporation will perform and carry out all of the acts and things to be completed by it as provided in this Subscription Agreement; and

(f) during the 48 month period following the Closing Date, and provided the Subscriber holds at least 2% of the common shares of the Corporation on a non-diluted basis, the Corporation will not issue any securities (including any common shares or any debt or other securities of any kind convertible into common shares) of any type or class to any person (the "**Proposed Recipient**") unless the Corporation has offered to the Subscriber in accordance with the provisions of this Section (f), the right to purchase the Subscriber's Pro Rata Share of such issuance ("**Pre-emptive Rights**") for a per security consideration, payable solely in cash, equal to the per security consideration to be paid by the Proposed Recipient and otherwise on the same terms and conditions as are offered to the Proposed Recipient. The Corporation shall not be obligated to offer to the Subscriber any portion of such issuance above the Subscriber's Pro Rata Share. The Subscriber shall not be obliged to purchase any securities offered pursuant to this Section (f). The restrictions under this Section (f) shall not apply to (a) any issuance of securities in connection with any share split, share dividend or other similar event; (b) any issuance of securities in connection with the Corporation's share incentive plans; (c) any issuance of securities in connection with a shareholder rights plan; (d) any issuance of securities pursuant to the acquisition of another person (as defined by applicable corporate legislation) by the Corporation as approved by the board of directors of the Corporation by take-over bid, arrangement, consolidation, merger, purchase of assets, or other reorganization in which the Corporation acquires, in a single transaction or series of related transactions, all or substantially all assets of such other person, or 50% or more of the equity ownership or voting power of such other person; and (e) any other financing completed in connection with or conditional on the completion of the Business Combination. "**Pro Rata Share**" means, with respect to the Subscriber, the proportion that the number of common shares of the Corporation held by the Subscriber bears to the aggregate total issued and outstanding number of common shares of the Corporation immediately prior to such issuance. The Corporation shall provide to the Subscriber prior written notice containing the relevant particulars of any proposed issuance (which may provide a range of prices at which shares will be issued) to which such Pre-emptive Rights apply ("**Issuance Notice**") and the Subscriber shall, within 5 days' of receipt of such Issuance Notice (24 hours in the case of a proposed bought deal financing as described under Part 7 of National Instrument 44-101 – Short Form Prospectus Distributions, or any successor rule or policy), provide to the Corporation written notice of whether it intends to exercise its Pre-emptive Rights.

Closing

10. The Subscriber agrees to deliver to the Corporation, not later than 5:00 p.m. (Vancouver time) on the business day prior to the Closing Date either (a) a certified cheque or bank draft payable to Tekmira Pharmaceuticals Corporation for the Aggregate Subscription Amount subscribed for under this Subscription Agreement, or (b) funds in the Aggregate Subscription Amount by way of wire transfer to the account of _____ or payment of the same amount in such other manner as is acceptable to the Corporation.

11. The sale of the Shares pursuant to this Subscription Agreement will be completed at the offices of Lang Michener LLP, the Corporation's counsel, in Vancouver, British Columbia at the Closing Time, at which time certificates representing the Shares will be available against payment of the Aggregate Subscription Amount for delivery to the Subscriber as the Subscriber shall instruct.

12. The parties hereto agree that their obligations under this Subscription Agreement are conditional upon:

(a) the receipt of Exchange approval of (i) the Offering and (ii) the listing of the Shares on the Exchange, on or before May 30, 2008, in a manner consistent with the Exchange's letter to counsel for the Corporation dated March 19, 2008;

(b) **[Reserved]**

(c) the prior or concurrent completion of the proposed business combination between the Corporation and Protiva, as announced on March 30, 2008 ("**Business Combination**") in accordance with the terms and conditions of the Tekmira-Protiva Share Purchase Agreement, without any amendment, supplement, modification, waiver or consent by any party to the Tekmira-Protiva Share Purchase Agreement of any provision of the Tekmira-Protiva Share Purchase Agreement or the rights or obligations thereof, except as may be consented to by the Subscriber, acting reasonably and without undue delay;

(d) the Corporation and Alnylam having negotiated, obtained all requisite corporate, governmental and third party approvals, and duly executing and delivering:

(i) an amendment and restatement of the License and Collaboration Agreement effective January 8, 2007 between Alnylam and the Corporation (as the assignee of Inex Pharmaceuticals Corporation) to account for, among other things, the Business Combination and the sale of the Shares pursuant to Alnylam's subscription agreement; and

(ii) an amendment and restatement of the Cross License Agreement effective August 14, 2007 between Alnylam and Protiva to account for, among other things, the Business Combination and the sale of the Shares pursuant to Alnylam's subscription agreement;

(e) the Subscriber, the Corporation and Protiva having negotiated, obtained all requisite governmental and third party approvals, and having duly executed and delivered a licence agreement on terms and conditions satisfactory to the Subscriber in its sole and absolute discretion;

(f) the Subscriber (or any affiliate thereof) and Alnylam having negotiated, obtained all requisite governmental and third party approvals, and having duly executed and delivered an amendment of the License Agreement dated July 9, 2007 between an affiliate of the Subscriber and Alnylam on terms and conditions satisfactory to the Subscriber in its sole and absolute discretion;

(g) the dismissal of the litigation between and among the Corporation, Protiva and other named defendants and third parties pending in the British Columbia Supreme Court as Court File No. S-061992 as contemplated by the form of consent dismissal order attached as Appendix D to the Tekmira-Protiva Share Purchase Agreement, including the entry of such order in such form, and without any of the parties entering into any written agreement, acknowledgment, waiver, consent or other binding obligation among some or all of such parties concerning the claims raised in such litigation or the intellectual property owned or controlled by any such party that is not approved by the Subscriber prior to the Closing Time;

(h) receipt by Alnylam of the First Amendment and Conditional Termination of Loan and Security Agreement between Alnylam and the Corporation dated March 28, 2008;

(i) the representations and warranties of each party herein and the representations and warranties made by each of the Corporation and Protiva in the Tekmira-Protiva Share Purchase Agreement being true and correct both as of the execution of this Subscription Agreement and as of the Closing Time, provided that for the purposes of this §12(i) the truthfulness and correctness of such representations and warranties will be determined without the benefit of any materiality qualification, including any Material Adverse Affect qualification, forming part of or otherwise qualifying such representations and warranties, and the covenants of each party herein have been complied with to the extent applicable prior to the Closing Time, except as affected by transactions, changes, conditions, events or circumstances contemplated or permitted by the Tekmira-Protiva Share Purchase Agreement or for breaches of representations and warranties which individually or in the aggregate do not have a Material Adverse Effect on the breaching party and would not reasonably be expected to have a Material Adverse Effect on the breaching party immediately following the Closing Time;

(j) the receipt by the Subscriber of a favourable legal opinion dated the Closing Date from legal counsel for the Corporation, in form and substance satisfactory to the Subscriber, acting reasonably, with respect to the following:

(i) the incorporation, continuance, amalgamation or organization and the existence of the Corporation and each subsidiary under the laws of its jurisdiction of incorporation, continuance, amalgamation or organization, as applicable and is current and up-to-date with all material filings required to be made by it under such jurisdictions;

(ii) the authorized and issued share capital of the Corporation;

(iii) the number of shares of Protiva and each other subsidiary of which the Corporation is the sole registered holder;

(iv) the attributes of the Shares being consistent in all material respects with their description hereof;

(v) the Corporation having all requisite corporate power and authority under the laws of its jurisdiction of incorporation, continuance, amalgamation or organization to carry on its business as conducted by it and to own, lease and operate its property and assets in all jurisdictions in which such business is conducted;

(vi) the Corporation and subsidiary being qualified to carry on business and own or lease and operate its property and assets under the laws of its jurisdiction of incorporation, amalgamation or organization and in all jurisdictions in which such business is now conducted;

(vii) all necessary corporate action having been taken by the Corporation to authorize the execution and delivery of the Subscription Agreement;

(viii) the corporate power and capacity of the Corporation to enter into and perform, and the authorization, execution and delivery of, this Agreement and the enforceability of this Subscription Agreement, except (i) as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally, (ii) as limited by the application of equitable principles when equitable remedies are sought, (iii) that rights to indemnity and contribution may be limited under applicable law, (iv) that provisions that attempt to sever any provision of which is prohibited or unenforceable under applicable law without affecting the enforceability or validity of the remainder of the agreement would be determined only in the discretion of the court, and (v) other standard qualifications;

(ix) the Shares having been duly and validly authorized, issued and are outstanding as fully paid and non-assessable common shares of the Corporation, and if and when issued in accordance with this Subscription Agreement;

(xii) no consent, approval, authorization, order, registration or qualification of, or filing, registration or recording with, any court, regulatory body or government agency or body under the laws of the applicable jurisdictions and the laws of Canada being required for the consummation by the Corporation of the transactions contemplated by this Subscription Agreement, except for those which are disclosed to the Subscriber or may be required under the Securities Laws or the rules of the Exchange and have been obtained on or prior to the Closing Time;

(xiii) that the execution and delivery of this Agreement and the performance of the Corporation's obligations hereunder and the issuance, sale and delivery of the Shares do not and will not result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with:

(A) any of the terms, conditions or provisions of the articles or by-laws of the Corporation, or any resolution of their respective directors (or committees of directors) or shareholders;

(B) any Laws of British Columbia, Canada or Securities Laws applicable to the Corporation; or

(C) to counsel's knowledge, any mortgage, hypothec, note, indenture, contract, agreement (written or oral), instrument, concession, lease, licence, claim, application or other document to which the Corporation is a party or is subject or by which the Corporation or any of its assets is bound or, any applicable law or would give rise to the acceleration or maturity of any indebtedness or other material liabilities or obligations under any of the foregoing or which would materially adversely affect the consummation of the Offering;

(xiv) issuance and sale of the Shares to the Subscriber in accordance with the Subscription Agreements are exempt from the prospectus and registration requirements of applicable Securities Laws and no prospectus will be required to be filed, other than specified forms accompanied by requisite filing fees, no other documents will be required to be filed, no proceeding taken and no approval, permit, consent or authorization of the securities commissions will be required to be obtained under Applicable Securities Laws to permit such issuance and/or sale;

(xv) that based on letters received from the Exchange, the Shares have been conditionally approved for listing on the Exchange, subject only to compliance with the customary standard listing conditions;

(xvi) that the form of the certificate representing the common shares of the Corporation is in compliance with the requirements of the Business Corporations Act (British Columbia);

(xvii) that CIBC Mellon Trust Company has been duly appointed as the registrar and transfer agent of the Corporation;

(xviii) subject to the usual qualifications, that except as disclosed to the Subscriber, to such counsel's knowledge, there is no action, suit, proceeding or inquiry before any court, governmental agency or body, to which the Corporation or any of its subsidiary is a party or to which its property is subject which in any way would materially and adversely affect the Corporation; and

(xx) such other matters as the Subscriber may reasonably request; and

(k) **[Reserved]**.

13. The Corporation shall be entitled to rely on delivery of a facsimile copy or electronic copy of executed subscriptions, and acceptance by the Corporation of such facsimile subscriptions shall be legally effective to create a valid and binding agreement between the Subscriber and the Corporation in accordance with the terms hereof.

Privacy Legislation

14. The Subscriber acknowledges and consents to the fact that the Corporation is collecting the Subscriber's (and any beneficial purchaser for which the Subscriber is contracting hereunder) personal information (as that term is defined under applicable privacy legislation, including, without limitation, the *Personal Information Protection and Electronic Documents Act* (Canada) and any other applicable similar replacement or supplemental provincial or federal legislation or laws in effect from time to time) for the purpose of completing the Subscriber's subscription. The Subscriber acknowledges and consents to the Corporation retaining the personal information for so long as permitted or required by applicable law. The Subscriber further acknowledges and consents to the fact that the Corporation may be required by Securities Laws, stock exchange rules and/or Investment Dealers Association of

Canada rules to provide regulatory authorities any personal information provided by the Subscriber respecting itself. In addition to the foregoing, the Subscriber agrees and acknowledges that the Corporation may use and disclose the Subscriber's personal information, as follows:

(a) for use and disclosure to the Corporation's transfer agent and registrar;

(b) disclosure to securities regulatory authorities (including the Exchange) and other regulatory bodies with jurisdiction with respect to reports of trade and similar regulatory filings;

(c) disclosure to a governmental or other authority (including the Exchange) to which the disclosure is required by court order or subpoena compelling such disclosure and where there is no reasonable alternative to such disclosure;

(d) disclosure to professional advisers of the Corporation in connection with the performance of their professional services; or

(e) disclosure to a court determining the rights of the parties under this Subscription Agreement.

Notices

15. Any notice, direction or other instrument required or permitted to be given to any party hereto shall be in writing and shall be sufficiently given if delivered personally, or transmitted by facsimile tested prior to transmission to such party, as follows:

(a) in the case of the Corporation, to:

Tekmira Pharmaceuticals Corporation
200 – 8900 Glenlyon Parkway
Burnaby, British Columbia V5J 5J8

Attention: Ian C. Mortimer
Chief Financial Officer
Fax: (604) 419-3201

with a copy to:

Lang Michener LLP
1500 Royal Centre,
P.O. Box 11117
1055 West Georgia Street
Vancouver, British Columbia
V6E 4N7

Attention: Leo Raffin
Fax: (604) 685-7084

and, up to the Closing Time, to:

Protiva Biotherapeutics Inc.
100 – 3480 Gilmore Way
Burnaby, British Columbia V6G 4W7

Attention: Mark Murray
President and Chief Executive Officer

Fax: (604) 630-5063

and, up to the Closing Time, to:

Farris, Vaughan, Wills & Murphy LLP
2500 - 700 West Georgia Street
Pacific Centre South
Vancouver, British Columbia V7Y 1B3

Attention: R. Hector MacKay-Dunn, Q.C.
Fax: (604) 661-1730

(b) in the case of the Subscriber, at the address specified on the face page hereof.

Any such notice, direction or other instrument, if delivered personally, shall be deemed to have been given and received on the day on which it was delivered, provided that if such day is not a business day then the notice, direction or other instrument shall be deemed to have been given and received on the first business day next following such day and if transmitted by fax, shall be deemed to have been given and received on the day of its transmission, provided that if such day is not a business day or if it is transmitted or received after the end of normal business hours then the notice, direction or other instrument shall be deemed to have been given and received on the first business day next following the day of such transmission.

Any party hereto may change its address for service from time to time by notice given to each of the other parties hereto in accordance with the foregoing provisions.

General

16. The Corporation agrees that the representations, warranties and covenants of the Corporation herein will be true and correct both as of the acceptance of this Subscription Agreement and as of the Closing Time and will survive the completion of the issuance of the Shares for a period of two years thereafter. The representations, warranties and covenants of the Corporation herein are made with the intent that they be relied upon by the Subscriber in making its investment decision and the Corporation agrees to indemnify the Subscriber against all losses, claims, costs, expenses and damages or liabilities which it may suffer or incur which are caused or arise from an inaccuracy or breach thereof by the Corporation of its representations and warranties herein and reliance thereon by the Subscriber.

17. The Subscriber agrees that the representations, warranties and covenants of the Subscriber herein will be true and correct both as of the execution of this Subscription Agreement and as of the Closing Time and will survive the completion of the issuance of the Shares for a period of two years thereafter. The representations, warranties and covenants of the Subscriber herein are made with the intent that they be relied upon by the Corporation in determining the eligibility of a purchaser of Shares and the Subscriber agrees to indemnify the Corporation against all losses, claims, costs, expenses and damages or liabilities which it may suffer or incur which are caused or arise from an inaccuracy or breach thereof by the Subscriber of its representations and warranties herein and reliance thereon by the Corporation. The Subscriber undertakes to immediately notify (i) the Corporation at Tekmira Pharmaceuticals Corporation, 200 – 8900 Glenlyon Parkway, Burnaby, B.C., V5J 5J8, Attention: Ian C. Mortimer, Chief Financial Officer (Fax Number: (604) 419-3201) and Lang Michener LLP, 1500 Royal Centre, P.O. Box 11117, 1055 West Georgia Street, Vancouver, B.C., V6E 4N7, Attention: Leo Raffin, (Fax Number: (604) 685-7084) and (ii) and Protiva Biotherapeutics Inc., 100 – 3480 Gilmore Way, Burnaby, B.C. V6G 4W7, Attention: Mark Murray, President and Chief Executive Officer (Fax Number: (604) 630-5103) and Farris, Vaughan, Wills & Murphy LLP, 2500 – 700 West Georgia Street, Vancouver, B.C. V7Y 1B3, Attention: R. Hector MacKay-Dunn, Q.C., (Fax Number: (604) 661-9349), of any material change in any statement or other information relating to the Subscriber set forth herein which takes place prior to the Closing Time.

18. The Subscriber acknowledges and agrees that all costs incurred by the Subscriber (including any fees and disbursements of any special counsel retained by the Subscriber) relating to the sale of the Shares to the Subscriber shall be borne by the Subscriber.

19. The Subscriber acknowledges that upon a subscription being accepted by the Corporation, the Corporation will, subject to the terms and conditions set out herein, issue to the Subscriber certificates evidencing the Subscriber's ownership of the Shares.

20. The terms and provisions of this Subscription Agreement shall be binding upon and enure to the benefit of the Subscriber and the Corporation and their respective heirs, executors, administrators, successors and assigns.

21. The contract arising out of this Subscription Agreement and all documents relating thereto shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein. The parties irrevocably attorn to the exclusive jurisdiction of the courts of the Province of British Columbia. Time shall be of the essence hereof.

22. Neither party to this Subscription Agreement may assign all or part of its interest in or to this Subscription Agreement without the consent in writing of the other party hereto.

23. This Subscription Agreement represents the entire agreement of the parties hereto relating to the subject matter hereof and there are no representations, covenants or other agreements relating to the subject matter hereof except as stated or referred to herein. Neither this Subscription Agreement nor any provision hereof shall be modified, changed, discharged or terminated except by an instrument in writing signed by the party against whom any waiver, change, discharge or termination is sought.

24. In this Subscription Agreement (including attachments), references to "$" or "Cdn. $" are to Canadian dollars.

The Corporation hereby accepts the subscription for Shares as set forth on the face page of this Subscription Agreement on the terms and conditions contained in the Subscription Agreement (including all applicable Schedules) this 31st day of March, 2008.

TEKMIRA PHARMACEUTICALS CORPORATION

Per: /S/ TIMOTHY M. RUANE
Authorized Signing Officer

Exhibit 4.1

* Confidential Treatment has been requested for the marked portions of this exhibit pursuant to Rule 24B-2 of the Securities Exchange Act of 1934, as amended.

AMENDMENT NO. 1 TO THE AMENDED AND RESTATED AGREEMENT

This AMENDMENT NO. 1 TO THE AMENDED AND RESTATED AGREEMENT (this "**Amendment No. 1**") is made effective as of May 27, 2009 (this "**Amendment No. 1 Effective Date**") by and between TEKMIRA PHARMACEUTICALS CORPORATION (formerly INEX PHARMACEUTICALS CORPORATION), a company duly incorporated under the laws of British Columbia having an office at #200 – 8900 Glenlyon Parkway, Burnaby, British Columbia, Canada V5J 5J8 ("**TEKMIRA**") and HANA BIOSCIENCES, INC., a company duly incorporated under the laws of Delaware having an office at 7000 Shoreline Court, Suite 370, South San Francisco, CA 94080, U.S.A. ("**HANA**") (each of HANA and TEKMIRA a "**Party**," and collectively, the "**Parties**").

BACKGROUND

A. HANA and TEKMIRA have entered into that certain Amended and Restated Agreement by and between the Parties effective as of April 30, 2007 (the "**Restated Agreement**").

B. The Parties wish to enter into an amendment to the Restated Agreement in order to amend certain rights and obligations therein, including, without limitation to (i) delay certain milestone payments due to Tekmira in consideration for increasing later-stage milestone payments, and (ii) modify certain terms relating to Licensing/Sublicensing Revenue payable to Tekmira all on the terms and conditions set forth herein below.

C. The Parties agree that in connection with this Amendment No. 1, the Parties will also amend the UBC Sublicense Agreement to conform with the amendments to the Restated Agreement made herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. All capitalized terms not defined in this Amendment shall have the meanings given to them in the Restated Agreement.

2. References to Inex. "Tekmira Pharmaceuticals Corporation" or "TEKMIRA" acquired the business of INEX in 2007. As such, all references to "Inex Pharmaceuticals Corporation" or "INEX" are deleted in their entirety and replaced with "Tekmira Pharmaceuticals Corporation" or "TEKMIRA", as applicable.

3. Defined Terms.

3.1 Section 1.1.4 of the Restated Agreement is amended in its entirety to read as follows:

1.1.4 "**Agreement**" means the Restated Agreement, all amendments and supplements to the Restated Agreement (including, without limitation, Amendment No. 1) and all exhibits and schedules to the forgoing.

3.2 Section 1.1.44 of the Restated Agreement is amended in its entirety to read as follows:

1.1.44 "**Hana Intellectual Property**" means:

(a) all Intellectual Property Rights patents and patent applications (whether complete or incomplete or whether filed or unfiled), including registrations, in any jurisdiction world-wide, as well as any patents and patent applications owned or Controlled by Hana; and

(b) all Confidential Information owned or Controlled by Hana at any time during the Term of this Agreement

(c) "**Controlled**" for purposes of this Section 1.1.44 means that Hana has the ability to grant a license to TEKMIRA with respect to such Intellectual Property Rights, patents, patent applications and Confidential Information, and shall exclude, for clarity any Intellectual Property acquired or licensed by Hana during the term of this Agreement from a Third Party.

3.3 Section 1.1.56 of the Restated Agreement is amended in its entirety to read as follows:

1.1.56 "**Licensing/Sublicensing Revenue**" means all transaction closing payments, milestone payments, license fees and any other pre-Commercialization payments (excluding royalties, sales revenue, sales commissions and any monies and proceeds derived from the sale of licensed or sublicensed Product) collected or received by Hana or its Affiliates pursuant to each License or Sublicense with any Third Party (excluding, for clarity, any Affiliate of Hana) to the extent received in consideration for sublicensing, or licensing, as applicable:

(a) the Technology (which, for clarity, excludes "**Technology**" sublicensed to Hana under the UBC Sublicense Agreement as such term is defined therein);

(b) the Licensed Patents (which, for clarity, excludes "**Technology**" sublicensed to Hana under the UBC Sublicense Agreement as such term is defined therein); and/or

(c) the Assigned Patents.

Except as otherwise expressly provided below, "Licensing/Sublicensing Revenue" shall not include:

(d) any loan or other debt financing instrument issued to Hana or an Affiliate by a Licensee or Sublicensee, except to the extent that the interest charged for such loan or other debt instrument is less than Fair Market Value (in which case only such difference between the interest rate charged to Hana or its Affiliate and the interest rate at Fair Market Value shall constitute Licensing/Sublicensing Revenue) or to the extent that the principal of a loan or other debt instrument is forgiven (in which case only such forgiven amount shall constitute Licensing/Sublicensing Revenue); or

(e) any equity investment in Hana or an Affiliate by a Licensee or Sublicensee, or equity of the Licensee or Sublicensee, except to the extent that such investment is made at greater than Fair Market Value measured at the time the shares, options or other securities evidencing any such investment are granted (in which case only the excess premium shall constitute Licensing/Sublicensing Revenue). For the purposes of this Section, if the shares of either Hana, its Affiliate or its Licensee or Sublicensee are not listed on any stock exchange, the Fair Market Value shall be based on the price at which shares of either Hana, its Affiliate or its Licensee or Sublicensee, as the case may be, have been issued to investors (who are not industry-related strategic investors or collaborative research partners) in the then most recent bona fide arm's length private placement financing completed within the preceding twelve (12) months having gross proceeds of at least Ten Million Dollars ($10,000,000). If no such private placement financing has been completed, the Parties shall appoint a mutually acceptable Person as an independent evaluator, and if the Parties cannot agree on an evaluator, the Fair Market Value shall be determined as provided in Article 13;

(f) an exchange of rights, assets, liabilities or other interest of any kind, except to the extent that the economic benefit conferred upon Hana or its Affiliates by reason of such exchange exceeds the Fair Market Value of the consideration which would have been paid by Hana or its Affiliates for such rights, assets, liabilities or interests, as determined by: (i) the mutual agreement of the Parties following the application of U.S. GAAP, or failing mutual agreement; (ii) the binding decision of an arbitrator pursuant to the procedures set forth in Article 13; and

(g) any amounts paid: (1) as reimbursements of actual costs reasonably incurred including patent prosecution and maintenance costs; (2) withholding taxes and other amounts actually withheld from or deducted against the amounts paid to such party; (3) for the supply of goods or materials to the extent any payment for the supply of goods or materials does not exceed the Fair Market Value for comparable goods or materials supplied, (4) as royalties or otherwise based upon the sale of such Product (including the profit on supply of Products or materials for commercial sale), (5) for research, development, or other services, to the extent such payments do not exceed the Fair Market Value of such activities, and Eligible Expenses, or (6) for any permitted assignment of this Agreement, or for an agreement to assign this Agreement, in either case to the extent such assignment is, or will be, resulting from the sale of substantially all of the business or assets of Hana, whether by merger, sale of stock, sale of assets or otherwise; provided, however, that any amounts paid for any permitted assignment of this Agreement to any Third Party or for an agreement to assign this Agreement to any Third Party, which does not result from the sale of substantially all of the business or assets of Hana, whether by merger, sale of stock, sale of assets or otherwise, shall constitute Licensing/Sublicensing Revenue. For the avoidance of doubt, and without limiting the generality of the foregoing, "**Licensing/Sublicensing Revenue**" shall include any Development funding in excess of the Fair Market Value of such activities.

"**Eligible Expenses**" of a Party means (i) the documented costs and expenses reasonably incurred by such Party or its Affiliates in performing such Party's or its Affiliate's responsibilities under a License or Sublicense with respect to Products; (ii) documented costs and expenses reasonably incurred by such Party or its Affiliates in performing any other research, development, and

manufacture of Products (including prior to the date of the License or Sublicense); and (iii) a reasonable amount for the costs and expenses that a Party expects to incur, but has not yet incurred, in the performance of its responsibilities under any agreement with a Sublicensee or Licensee; to the extent that (i), (ii) and (iii) do not include a premium in excess of Hana's costs, whether such costs are measured (a) as a market FTE rate, (b) as a project cost, (c) as a pass-through cost, or (d) as costs incurred in Development.

To the extent Licensing/Sublicensing Revenue represents an unallocated combined payment for both a License and/or Sublicense of the Patents and/or Technology as well as other intellectual property, undertakings or subject matter, proceeds from such licensing and/or sublicensing arrangement for calculating payments due to Tekmira shall be reasonably allocated by agreement of the Parties between such Patents and/or Technology and such other intellectual property, undertakings or subject matter.

If a dispute between the parties arises as to the amount of the Licensing/Sublicensing Revenue above, then, upon written notice by either party to the other, such dispute shall be referred to resolution by final, binding arbitration as described in Article 13 of the Agreement.

4. Licensing and Sublicensing

Section 2.4.2(h) of the Restated Agreement is amended in its entirety to read as follows:

(h) within ten (10) Business Days after execution of each License or Sublicense, as the case may be, Hana shall provide Tekmira with a copy thereof, without redaction of any financial terms of each License or Sublicense. The terms of each License or Sublicense Agreement shall be deemed to constitute "Confidential Information" of Hana for all purposes of this Agreement, and Tekmira shall not disclose the information contained in such Sublicense or License Agreement to any Third Party except to the University of British Columbia and as authorized pursuant to Article 10 of this Agreement.

5. Development Efforts

Section 4.2.2 of the Restated Agreement is amended in its entirety to read as follows:

4.2.2 Hana will provide Tekmira with written reports every six (6) months, on or before June 30 and December 31 of each and every year, beginning June 30, 2009, to keep Tekmira fully informed of the progress of the Development of each Product, all of which semi-annual Development reports shall contain, on a Product by Product basis, a reasonably detailed accounting of Sublicensing Revenues received by Hana or its Affiliate during the six (6) month period covered by such Development report.

6. Sphingosomal Vincristine.

6.1 Section 3.1.1(b) of the Restated Agreement is amended in its entirety to read as follows:

(b) [*] within ten (10) days following Hana's receipt of the approval by the FDA of the Sphingosomal Vincristine NDA, which payment shall be made by Hana issuing to TEKMIRA a number of additional shares of Common Stock determined by dividing [*] by the FMV as of the date of such approval; provided however, if a Regulatory Submission equivalent to an NDA is approved in any of the Designated EU States before the Sphingosomal Vincristine NDA is approved by the FDA, [*] the milestone payment due under this Section 3.1.1(b) will be paid by Hana to TEKMIRA immediately upon the approval of that equivalent filing in any of the Designated EU States, and the remaining balance will be paid by Hana to TEKMIRA immediately upon the approval of the Sphingosomal Vincristine NDA by the FDA.

6.2 Section 3.1.2 of the Restated Agreement is amended in its entirety to read as follows:

3.1.2 Royalties

Hana shall pay royalties to TEKMIRA based on [*] Net Sales of Sphingosomal Vincristine as follows:

(a) With respect to Net Sales made by of Hana and/or its Affiliates only (the "Hana Net Sales") of Sphingosomal Vincristine in the United States , a royalty no greater than [*] of Hana Net Sales comprised of the sum of one or more of the following percentages: (i) [*] of Hana Net Sales in consideration of Patents if the Product sold is embraced within any Valid Claim under the Patents in the United States; (ii) [*] of Hana Net Sales in consideration of, and during any period of Product exclusivity provided by the laws of the United States of America, including but not limited to marketing exclusivity in the form of data exclusivity, pediatric exclusivity, and orphan drug designation exclusivity; and (iii) [*] of Hana Net Sales in consideration of Technology; provided, however, that the total royalty paid shall be limited to [*] on that portion of [*] Hana Net Sales up to, and including, [*], and limited to [*] on that portion of [*] Hana Net Sales exceeding [*];

(b) With respect to Hana Net Sales of Sphingosomal Vincristine in each country of the Territory other than the United States, a royalty of [*] of Hana Net Sales in consideration of Patents and Technology; provided, however, that the total royalty paid shall be limited to [*] on that portion of [*] Hana Net Sales up to, and including, [*], and increased to [*] on that portion of [*] Hana Net Sales in excess of [*];

(c) With respect to Net Sales in the United States made by Hana's Licensees and Sublicensees only (the "Licensee/Sublicensee Net Sales") of Sphingosomal Vincristine, a royalty equal to the lesser of (1) [*] of the royalty received by Hana on Licensee/Sublicensee Net Sales in the United States pursuant to a License and/or Sublicense, as applicable, and (2) the royalty rate set forth in Section 3.1.2(a) above with respect to Hana Net Sales in the United States as applied to Licensee/Sublicensee Net Sales of Sphingosomal Vincristine in the United States; and

Confidential Treatment Requested.

(d) With respect to Licensee/Sublicensee Net Sales of Sphingosomal Vincristine in each country of the Territory other than the United States, a royalty equal to the lesser of (1) [*] of the royalty received by Hana on Licensee/Sublicensee Net Sales pursuant to a License and/or Sublicense, as applicable, in each country of the Territory other than the United States, and (2) the royalty rate set forth in Section 3.1.2(b) above with respect to Hana Net Sales in each country of the Territory other than the United States as applied to Licensee/Sublicensee Net Sales of Sphingosomal Vincristine in each country of the Territory other than the United States.

6.3 Sections 3.1.3 and 3.1.4 of the Restated Agreement is amended in its entirety to read as follows:

3.1.3 Generic Competition

If, during a given calendar year, there is sale of a generic Sphingosomal Vincristine or sale of an approved equivalent to Sphingosomal Vincristine (collectively, "**Approved Sphingosomal Vincristine Equivalents**") in any country in the Territory, then, for such country, the total amount of royalties payable to TEKMIRA for the Hana Net Sales of Sphingosomal Vincristine in such country during such calendar year will be reduced to [*] of the royalties payable to TEKMIRA pursuant to Section 3.1.2(a) and 3.1.2(b) for such calendar year, in such country.

3.1.4 Deductions:

Notwithstanding the schedule of royalty payments set forth in Sections 3.1.2(a) and 3.1.2(b), Hana shall be entitled to deduct from such Sphingosomal Vincristine royalty obligations owed by Hana to TEKMIRA set forth in Sections 3.1.2(a) and 3.1.2(b), an amount equal to [*] of the research and development expenses Hana incurs in connection with the Development of Sphingosomal Vincristine (the "**Sphingosomal Vincristine R&D Expenses**"); provided however, that such deduction shall not exceed the lesser of:

(a) [*]; or

(b) [*] per patient treated in a Registrational Clinical Trial;

provided further, however, that such deduction for Sphingosomal Vincristine R&D Expenses shall not exceed [*] of the royalty amount otherwise payable by Hana to TEKMIRA for Sphingosomal Vincristine set forth in Section 3.1.2(a) or 3.1.2(b), as applicable, in each calendar year, provided that Hana shall be entitled to carry over into succeeding years any amount of Sphingosomal Vincristine R&D Expenses that were ineligible for deduction as a result of such limitation. All Sphingosomal Vincristine R&D Expenses shall be subject to audits by TEKMIRA using reasonable and customary audit procedures in order to verify the amounts thereof.

7. Sphingosomal Vinorelbine

7.1 Section 3.2.1(b) and Section 3.2.1(c) of the Restated Agreement are amended in their entirety to read as follows:

3.2.1 Milestone Payments:

Hana shall pay to TEKMIRA milestone payments in respect of Sphingosomal Vinorelbine as follows:

(b) [*] within ten (10) days following the FDA's acceptance for review of an NDA submission by Hana relating to Sphingosomal Vinorelbine (the "**Sphingosomal Vinorelbine NDA**"), which payment shall be satisfied by Hana issuing to TEKMIRA a number of additional shares of Common Stock determined by dividing [*] by the FMV as of the Sphingosomal Vinorelbine NDA filing date; provided however, if a Regulatory Submission equivalent to an NDA is accepted in any of the Designated EU States before the Sphingosomal Vinorelbine NDA is accepted, then [*] the milestone payment due under this Section 3.2.1(b) will be paid by Hana to TEKMIRA immediately upon the acceptance of that equivalent filing in any of the Designated EU States, and the remaining balance will be paid by Hana to TEKMIRA immediately upon the acceptance of the Sphingosomal Vinorelbine NDA by the FDA; and

(c) [*] upon the approval by the FDA a Sphingosomal Vinorelbine NDA, which payment shall be made by Hana issuing to TEKMIRA a number of additional shares of Common Stock determined by dividing [*] by the FMV as of the date of such FDA approval; provided however, if a Regulatory Submission equivalent to an NDA is approved in any of the Designated EU States before an NDA relating to Sphingosomal Vinorelbine is approved by the FDA, [*] the milestone due under this Section 3.2.1(c) will be paid by Hana to TEKMIRA immediately upon approval of that equivalent filing and the remaining balance will be paid by Hana to TEKMIRA immediately upon the approval of an NDA relating to Sphingosomal Vinorelbine by the FDA.

7.2 Section 3.2.2 of the Restated Agreement is amended in its entirety to read as follows:

3.2.2 Royalties

Hana shall pay to TEKMIRA royalty payments based on [*] Net Sales of Sphingosomal Vinorelbine as follows:

(a) With respect to Hana Net Sales of Sphingosomal Vinorelbine in the United States, a royalty no greater than [*] of Hana Net Sales

comprised of the sum of one or more of the following percentages: (i) [*] of Hana Net Sales in consideration of Patents if the Product sold is embraced within any Valid Claim under the Patents in the United States; (ii) [*] of Hana Net Sales in consideration of, and during any period of Product exclusivity provided by the laws of the United States of America, including but not limited to marketing exclusivity in the form of data exclusivity, pediatric exclusivity, and orphan drug designation exclusivity; and (iii) [*] of Hana Net Sales in consideration of Technology; provided, however, that the total royalty paid shall be limited to [*] on that portion of [*] Hana Net Sales up to, and including, [*], and limited to [*] on that portion of [*] Hana Net Sales exceeding [*];

(b) With respect to Hana Net Sales of Sphingosomal Vinorelbine in each country of the Territory other than the United States, a royalty of [*] of Hana Net Sales in consideration of Patents and Technology; provided, however, that the total royalty paid shall be limited to [*] on that portion of [*] Hana Net Sales up to, and including, [*], and increased to [*] on that portion of [*] Hana Net Sales in excess of [*];

(c) With respect to Licensee/Sublicensee Net Sales of Sphingosomal Vinorelbine in the United States, a royalty equal to the lesser of (1) [*] of the royalty received by Hana on Licensee/Sublicensee Net Sales in the United States pursuant to a License Agreement and/or Sublicense, as applicable, and (2) the royalty rate set forth in Section 3.2.2(a) above with respect to Hana Net Sales in the United States as applied to Licensee/Sublicensee Net Sales of Sphingosomal Vinorelbine in the United States; and

(d) With respect to Licensee/Sublicensee Net Sales of Sphingosomal Vinorelbine in each country of the Territory other than the United States, a royalty equal to the lesser of (1) [*] of the royalty received by Hana on Licensee/Sublicensee Net Sales pursuant to a License Agreement and/or Sublicense, as applicable, in each country of the Territory other than the United States, and (2) the royalty rate set forth in Section 3.2.2(b) above with respect to Hana Net Sales in each country of the Territory other than the United States as applied to Licensee/Sublicensee Net Sales of Sphingosomal Vinorelbine in each country of the Territory other than the United States.

7.3 Sections 3.2.3 and 3.2.4 of the Restated Agreement is amended in its entirety to read as follows:

3.2.3 Generic Competition

If, during a given calendar year, there is sale of a generic Sphingosomal Vinorelbine or sale of an approved equivalent to Sphingosomal Vinorelbine (collectively, "**Approved Sphingosomal Vinorelbine Equivalents**") in any country in the Territory, then, for such country, the total amount of royalties payable to TEKMIRA for the Hana Net Sales of Sphingosomal Vinorelbine in such country during such calendar year will be reduced to [*] of the royalties payable to TEKMIRA pursuant to Section 3.2.2(a) and 3.2.2(b) for such calendar year, in such country.

3.2.4 Deductions:

Notwithstanding the schedule of royalty payments set forth in Sections 3.2.2(a) and 3.2.2(b), Hana shall be entitled to deduct from such Sphingosomal Vinorelbine royalty obligations owed by Hana to TEKMIRA set forth in Sections 3.2.2(a) and 3.2.2(b), an amount equal to [*] of the research and development expenses Hana incurs in connection with the Development of Sphingosomal Vinorelbine (the "**Sphingosomal Vinorelbine R&D Expenses**"); provided however, that such deduction shall not exceed the lesser of:

(a) [*]; or

(b) [*] per patient treated in a Registrational Clinical Trial;

provided further, however, that such deduction for Sphingosomal Vinorelbine R&D Expenses shall not exceed [*] of the royalty amount otherwise payable by Hana to TEKMIRA for Sphingosomal Vinorelbine set forth in Section 3.2.2(a) or 3.2.2(b), as applicable, in each calendar year, provided that Hana shall be entitled to carry over into succeeding years any amount of Sphingosomal Vinorelbine R&D Expenses that were ineligible for deduction as a result of such limitation. All Sphingosomal Vinorelbine R&D Expenses shall be subject to audits by TEKMIRA using reasonable and customary audit procedures in order to verify the amounts thereof.

7.4 The milestone payment set forth in Section 3.3.1(a) shall be deleted and Section 3.3.1 of the Restated Agreement is amended in its entirety to read as follows:

3.3.1 Milestone Payments:

Hana shall pay to TEKMIRA milestones payments in respect of Sphingosomal Topotecan as follows:

(a) Deleted.

(b) [*] within ten (10) days following the FDA's acceptance for review of an NDA submission by Hana relating to Sphingosomal Topotecan (the "**Sphingosomal Topotecan NDA**"), which payment shall be satisfied by Hana issuing to TEKMIRA a number of additional shares of Common Stock determined by dividing [*] by the FMV as of the Sphingosomal Topotecan NDA filing date; provided however, if a

Regulatory Submission equivalent to an NDA is accepted in any of the Designated EU States before the Sphingosomal Topotecan NDA is accepted, then [*] the milestone payment due under this Section 3.3.1(b) will be paid by Hana to TEKMIRA immediately upon the acceptance of that equivalent filing in any of the Designated EU States, and the remaining balance will be paid by Hana to TEKMIRA immediately upon the acceptance of the Sphingosomal Topotecan NDA by the FDA; and

(c) [*] upon the approval by the FDA of a Sphingosomal Topotecan NDA, which payment shall be made by Hana issuing to TEKMIRA a number of additional shares of Common Stock determined by dividing [*] by the FMV as of the date of such FDA approval; provided however, if a Regulatory Submission equivalent to an NDA is approved in any of the Designated EU States before an NDA relating to Sphingosomal Topotecan is approved by the FDA, [*] the milestone due under this Section 3.3.1(c) will be paid by Hana to TEKMIRA immediately upon approval of that equivalent filing and the remaining balance will be paid by Hana to TEKMIRA immediately upon the approval of an NDA relating to Sphingosomal Topotecan by the FDA.

7.5 Section 3.3.2 of the Restated Agreement is amended in its entirety to read as follows:

3.3.2 Royalties

Hana shall pay to TEKMIRA royalty payments based on [*] Net Sales of Sphingosomal Topotecan as follows:

(a) With respect to Hana Net Sales of Sphingosomal Topotecan in the United States, a royalty no greater than [*] of Hana Net Sales comprised of the sum of one or more of the following percentages: (i) [*] of Hana Net Sales in consideration of Patents if the Product sold is embraced within any Valid Claim under the Patents in the United States; (ii) [*] of Hana Net Sales in consideration of, and during any period of Product exclusivity provided by the laws of the United States of America, including but not limited to marketing exclusivity in the form of data exclusivity, pediatric exclusivity, and orphan drug designation exclusivity; and (iii) [*] of Hana Net Sales in consideration of Technology; provided, however, that the total royalty paid shall be limited to [*] on that portion of [*] Hana Net Sales up to, and including, [*], and limited to [*] on that portion of [*] Hana Net Sales exceeding [*];

(b) With respect to Hana Net Sales of Sphingosomal Topotecan in each country of the Territory other than the United States, a royalty of [*] of Hana Net Sales in consideration of Patents and Technology; provided,

however, that the total royalty paid shall be limited to [*] on that portion of [*] Hana Net Sales up to, and including, [*], and increased to [*] on that portion of [*] Hana Net Sales in excess of [*];

(c) With respect to Licensee/Sublicensee Net Sales of Sphingosomal Topotecan in the United States, a royalty equal to the lesser of (1) [*] of the royalty received by Hana on Licensee/Sublicensee Net Sales in the United States pursuant to a License Agreement and/or Sublicense, as applicable, and (2) the royalty rate set forth in Section 3.3.2(a) above with respect to Hana Net Sales in the United States as applied to Licensee/Sublicensee Net Sales of Sphingosomal Topotecan in the United States; and

(d) With respect to Licensee/Sublicensee Net Sales of Sphingosomal Topotecan in each country of the Territory other than the United States, a royalty equal to the lesser of (1) [*] of the royalty received by Hana on Licensee/Sublicensee Net Sales pursuant to a License Agreement and/or Sublicense, as applicable, in each country of the Territory other than the United States, and (2) and the royalty rate set forth in Section 3.3.2(b) above with respect to Hana Net Sales in each country of the Territory other than the United States as applied to Licensee/Sublicensee Net Sales of Sphingosomal Topotecan in each country of the Territory other than the United States.

7.6 Sections 3.3.3 and 3.3.4 of the Restated Agreement is amended in its entirety to read as follows:

3.3.3 Generic Competition

If, during a given calendar year, there is sale of a generic Sphingosomal Topotecan or sale of an approved equivalent to Sphingosomal Topotecan (collectively, "**Approved Sphingosomal Topotecan Equivalents**") in any country in the Territory, then, for such country, the total amount of royalties payable to TEKMIRA for the Hana Net Sales of Sphingosomal Topotecan in such country during such calendar year will be reduced to [*] of the royalties payable to TEKMIRA pursuant to Section 3.3.2(a) and 3.3.2(b) for such calendar year, in such country.

3.3.4 Deductions:

Notwithstanding the schedule of royalty payments set forth in Sections 3.3.2(a) and 3.3.2(b), Hana shall be entitled to deduct from such Sphingosomal Topotecan royalty obligations owed by Hana to TEKMIRA set forth in Sections 3.3.2(a) and 3.3.2(b), an amount equal to [*] of the research and development expenses Hana incurs in connection with the Development of Sphingosomal Topotecan (the "**Sphingosomal Topotecan R&D Expenses**"); provided however, that such deduction shall not exceed the lesser of:

(a) [*]; or

(b) [*] per patient treated in a Registrational Clinical Trial;

provided further, however, that such deduction for Sphingosomal Topotecan R&D Expenses shall not exceed [*] of the royalty amount otherwise payable by Hana to TEKMIRA for Sphingosomal Topotecan set forth in Section 3.3.2(a) or 3.3.2(b), as applicable, in each calendar year, provided that Hana shall be entitled to carry over into succeeding years any amount of Sphingosomal Topotecan R&D Expenses that were ineligible for deduction as a result of such limitation. All Sphingosomal Topotecan R&D Expenses shall be subject to audits by TEKMIRA using reasonable and customary audit procedures in order to verify the amounts thereof.

8. Sections 3.6.1, 3.6.2 and 3.6.3 of the Restated Agreement are amended in their entirety to read as follows:

3.6.1 Hana shall pay to Tekmira a percentage of Sphingosomal Vincristine Licensing/Sublicensing Revenue as follows:

(a) [*] of Licensing/Sublicensing Revenue received by Hana or its Affiliate as initial license fees (an "**Upfront Payment**") for any Sphingosomal Vincristine Product Licensed or Sublicensed by Hana or its Affiliate to a Third Party; and

(b) [*] of Licensing/Sublicensing Revenue, other than Upfront Payment(s) ("**Milestone Payments**"), for any Sphingosomal Vincristine Product Licensed or Sublicensed by Hana or its Affiliate to a Third Party.

3.6.2 Hana shall pay to Tekmira a percentage of Sphingosomal Vinorelbine Licensing/Sublicensing Revenue as follows:

(a) [*] of Upfront Payment(s) for any Sphingosomal Vinorelbine Product Licensed or Sublicensed by Hana or its Affiliate to a Third Party; and

(b) [*] of Milestone Payments for any Sphingosomal Vinorelbine Product Licensed or Sublicensed by Hana or its Affiliate to a Third Party.

3.6.3 Hana shall pay to Tekmira a percentage of Sphingosomal Topotecan Licensing/Sublicensing Revenue as follows:

(a) [*] of Upfront Payment(s) for any Sphingosomal Topotecan Product Licensed or Sublicensed by Hana or its Affiliate to a Third Party; and

(b) [*] of Milestone Payments for any Sphingosomal Topotecan Product Licensed or Sublicensed by Hana or its Affiliate to a Third Party.

Confidential Treatment Requested.

9. Section 3.6.4 shall be amended to read in its entirety as follows:

3.6.4 Notwithstanding anything to the contrary contained in this Section 3.6, Hana shall have no obligation to pay to TEKMIRA its respective share of any such Licensing/Sublicensing Revenue unless and until Hana actually receives such Licensing/Sublicensing Revenue from its Licensee or Sublicensee. For clarity, the payments made by Hana to TEKMIRA pursuant to Sections 3.6.1, 3.6.2 and 3.6.3 shall be in lieu of, and not in addition to, the milestone payments described in subparagraphs 3.1.1, 3.2.1 and 3.3.1 above, such that Hana shall owe TEKMIRA the milestone payments pursuant to Sections 3.1.1, 3.2.1 and 3.3.1 if Hana has not entered into a License/Sublicense Agreement and itself achieves the milestones set forth in Sections 3.1.1, 3.2.1 and 3.3.1 with respect to a Product OR Hana shall owe TEKMIRA the milestone payments pursuant to Section 3.6.1, 3.6.2 and 3.6.3 if Hana has entered into a License/Sublicense Agreement with respect to a Product. By way of non-limiting example, if Hana has entered into a License or Sublicense with respect to Sphingosomal Vinorelbine (a "Vinorelbine Sublicense"), and pursuant to such Vinorelbine Sublicense Hana receives a milestone payment of [*] upon approval by the FDA of an NDA relating to Sphingosomal Vinorelbine (the "NDA Approval Milestone") and such milestone payment is considered Licensing/Sublicensing Revenue pursuant to this Agreement, Hana would not owe TEKMIRA the [*] milestone payment set forth in Section 3.2.1(c) in addition to the [*] of Licensing/Sublicensing Revenue owed pursuant to Section 3.6.2 above (25% of the milestone Hana receives as Licensing/Sublicensing Revenue pursuant to the applicable License/Sublicense Agreement), but instead would owe TEKMIRA only [*] with respect to the NDA Approval Milestone. Similarly, if Hana has entered into a Vinorelbine Sublicense, and pursuant to such Vinorelbine Sublicense Hana does receive an NDA Approval Milestone, Hana would not owe TEKMIRA the [*] milestone payment set forth in Section 3.2.1(c), but instead would owe TEKMIRA [*] of the milestone payment received by Hana for such NDA Approval Milestone from the Licensee or Sublicensee, as applicable, under the Vinorelbine Sublicense and falling within the definition of Licensing/Sublicensing Revenue generated pursuant to such Vinorelbine Sublicense.

10. A new Section 10.2.3 shall be added and shall read in its entirety as follows:

10.2.3 Nondisclosure of Terms. Except for either Party's right to disclose the terms of this Agreement to the University of British Columbia and to [*], each of the Parties hereto agrees not to disclose the terms of this Agreement to any Third Party without the prior written consent of the other party hereto; provided that a Party may disclose the terms of this Agreement without such consent to such party's attorneys, advisors or investors on a need to know basis, to Third Parties in connection with due diligence or similar investigations by such Third Parties, and to potential Third Party investors in confidential financing documents; in each case, under circumstances that reasonably ensure the confidentiality and appropriately restricted use thereof, or to the extent required by law.

11. A new sentence shall be added at the end of Section 14.4.1 and shall read in its entirety as follows:

Notwithstanding the forgoing, in the event of a dispute with respect to the existence of a breach and/or default under this Agreement, the cure periods set forth in this Section 14.4.1 shall be tolled until such time as the dispute is resolved pursuant to Article 13 hereof.

12. Section 15.2 of the Restated Agreement is amended in its entirety to read as follows:

15.2 Assignment. Neither Party may assign this Agreement in whole or in part without the prior written consent of the other Party, provided that, (i) either Party may assign this Agreement in whole or in part to an entity that is an Affiliate so long as such entity is an Affiliate at the time of such assignment, without such consent, and (ii) either Party may assign this Agreement, without such consent, to an entity that acquires all or substantially all of the business or assets of such Party to which this Agreement pertains (whether by merger, reorganization, amalgamation, acquisition, sale or otherwise), and agrees in writing to be bound by the terms and conditions of this Agreement. The terms and conditions shall be binding on and inure to the benefit of the permitted successors and assigns of the Parties. Any permitted assignee shall assume all obligations of its assignor under this Agreement. No assignment shall relieve any Party of responsibility for the performance of any accrued obligation that such Party then has under this Agreement. If either Party is acquired by another entity, the intellectual property rights of the acquiring entity shall not be included in the technology licensed to the other Party hereunder.

13. Covenant.

12.1 As of the date hereof, the Parties have entered into that certain Acknowledgement Agreement (the "Acknowledgement") with UBC regarding an amendment to the UBC Sublicense Agreement, which amendment shall (a)conform the provisions of the UBS Sublicense Agreement to those set forth in this Amendment, and (b) clarify that Tekmira shall be entitled to receive from Hana milestone payments, a percentage of Licensing/Sublicensing Revenue and royalties, as applicable, pursuant to either the Agreement, as amended hereby, or the UBC Sublicense, but in no event shall Hana be required to make duplicate payments under both agreements with respect to any transaction triggering such payment. The Parties agree that within thirty (30) days of the Amendment No. 1 Effective Date, (a) the Parties shall execute an amendment of the UBC Sublicense Agreement as contemplated by this Amendment and the Acknowledgement, and (b) the Parties and UBC shall execute a new tripartite consent agreement by and among UBC, Hana and Tekmira consenting to such amendment to the UBC Sublicense.

12.2 The Parties further acknowledge that, pursuant to this Amendment No. 1, Hana has no obligation to Tekmira to make the payment to Tekmira as set forth in Section 3.3.1(a) of the Restated Agreement.

14. Miscellaneous. Except as specifically modified or amended hereby, the Restated Agreement shall remain in full force and effect and, as modified or amended, is hereby ratified, confirmed and approved. Notwithstanding the foregoing, to the extent any terms of this Amendment No. 1 conflict with the terms of the Restated Agreement, the terms of this Amendment shall govern. No provision of this Amendment No. 1 may be modified or amended except expressly in a writing signed by both Parties nor shall any terms be waived except expressly in a writing signed by the Party charged therewith.

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 1 in duplicate originals by their duly authorized representatives as of the Amendment No. 1 Effective Date.

HANA BIOSCIENCES, INC.

By: /s/ Steven R. Deitcher

Name: Steven R. Deitcher

Title: President and Chief Executive Officer

TEKMIRA PHARMACEUTICALS CORPORATION

By: /s/ Ian Mortimer

Name: Ian Mortimer

Title: Chief Financial Officer

TEKMIRA PHARMACEUTICALS CORPORATION

By: /s/ Mark J. Murray

Name: Mark J. Murray

Title: President and Chief Executive Officer

* Confidential Treatment has been requested for the marked portions of this exhibit pursuant to Rule 24B-2 of the Securities Exchange Act of 1934, as amended.

AMENDED AND RESTATED LICENSE AGREEMENT

BETWEEN

INEX PHARMACEUTICALS CORPORATION

AND

HANA BIOSCIENCES, INC.

AMENDED AND RESTATED LICENSE AGREEMENT

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AMENDED AND RESTATED LICENSE AGREEMENT

THIS AMENDED AND RESTATED LICENSE AGREEMENT (the "**Agreement**") is dated effective April 30, 2007.

BETWEEN:

INEX PHARMACEUTICALS CORPORATION, a company duly incorporated under the laws of British Columbia having an office at #200 – 8900 Glenlyon Parkway, Burnaby, British Columbia, Canada V5J 5J8

("**INEX**")

AND:

HANA BIOSCIENCES, INC., a company duly incorporated under the laws of Delaware having an office at 7000 Shoreline Court, Suite 370, South San Francisco, CA 94080, U.S.A.

("**Hana**")

WHEREAS:

A. On May 6, 2006, INEX (as hereinafter defined) and Hana entered into a License Agreement (as hereinafter defined) to govern the Parties' respective rights and obligations in respect of Hana's use in the Hana Field (as hereinafter defined), of Patents (as hereinafter defined) and Technology (as hereinafter defined).

B. On May 6, 2006, INEX and Hana entered into a Transaction Agreement (as hereinafter defined). Pursuant to which Section 6.7 of the Transaction Agreement, INEX agreed to make commercially reasonable efforts to obtain the consent of Aradigm (as hereinafter defined) to the assignment by INEX to Hana of the BCCA Patents (as hereinafter defined) licensed by INEX to Aradigm for use in the pulmonary delivery of Ciprofloxacin, and Hana agreed to license the BCCA Patents back to INEX for use outside the Hana Field and remain liable to INEX for all milestone, royalty and sublicensing payments which Hana would otherwise have made to INEX in respect of the BCCA Patents had the assignment by INEX to Hana not taken place.

C. Pursuant to Section 6.8 of the Transaction Agreement, INEX agreed to make commercially reasonable efforts to obtain the consent of MD Anderson (as hereinafter defined) to the assignment by INEX to Hana of the MD Anderson License (as hereinafter defined), Sarris Patents (as hereinafter defined), and Thomas Patents (as hereinafter defined), and Hana agreed to license the Sarris Patents and Thomas Patents back to INEX for use outside the Hana Field and remain liable to INEX for all milestone, royalty and sublicensing payments which Hana would otherwise have made to INEX in respect of the Sarris Patents and Thomas Patents had the assignment by INEX to Hana not taken place.

D. The Parties are herewith entering into this Amended and Restated License Agreement to: (i) to effect the termination of the license by INEX to Hana of the MD Anderson Patents, and the termination of all rights, responsibilities and obligations of Hana associated therewith; (ii) to affirm the continuation of the license by INEX to Hana of the Licensed Patents (as hereinafter defined) for use in the Hana Field, and to affirm the continuation of all rights, responsibilities and

obligations of Hana associated therewith; and (iii) to effect the license by Hana to INEX of the MD Anderson Patents for use outside the Hana Field upon the terms and conditions contained herein; all as contemplated by Section 6.8 of the Transaction Agreement.

E. On even date hereof, the Parties are entering into an Assignment and Novation Agreement with MD Anderson to effect the assignment by INEX to Hana of the MD Anderson License and the MD Anderson Patents as contemplated by Section 6.8 of the Transaction Agreement.

NOW THEREFORE, in consideration of the covenants, rights and obligations contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

Article 1 INTERPRETATION

1.1 Definitions

As used in this Agreement, the following terms, whether used in the singular or plural, shall have the following meanings:

1.1.1 "**Abandoning Party**" shall have the meaning set forth in Section 8.5.1.

1.1.2 "**Adverse Drug Event**" means any noxious, unintended, or untoward medical occurrence in a patient or clinical investigation subject associated with the use of a medicinal or investigational product, whether or not related to the medicinal or investigational product.

1.1.3 "**Affiliate**" means, with respect to any Person, any Person directly or indirectly controlled by, controlling or under common control with such Person. For the purposes of this definition, "control" shall mean direct or indirect beneficial ownership of 50% or greater interest in the voting power of such Person or such other relationship as, in fact constitute actual control.

1.1.4 "**Agreement**" means this Amended and Restated License Agreement and all exhibits attached hereto.

1.1.5 "**Applicable Laws**" means all applicable federal, provincial, state and local laws, ordinances, rules and regulations of any kind whatsoever in the Territory, including, without limitation, pharmaceutical and environmental rules and regulations, including cGMP Requirements, GCP Requirements, GLP Requirements and the General Biological Products Standards of the FDA, and the Federal Food, Drug and Cosmetic Act, as amended, or any successor act thereto ("**FDCA**").

1.1.6 "**Aradigm**" means Aradigm Corporation, a company duly incorporated pursuant to the laws of the State of California, and having its principal place of business at 3929 Point Eden Way, Hayward, CA 94545, U.S.A.

1.1.7 "**Aradigm License**" means the license agreement dated December 8, 2004 between Aradigm and INEX.

1.1.8 "**Assessed Value**" shall have the meaning set forth in Section 3.6.6(b).

1.1.9 "**Assigned Patents**" mean the MD Anderson Patents listed in **Exhibit 1.1.9** attached hereto.

1.1.10 "**Bankruptcy Action**" shall have the meaning set forth in Section 14.3.3.

1.1.11 "**BCCA**" means the British Columbia Cancer Agency.

1.1.12 "**BCCA Agreements**" means the Research Project Agreement between INEX (formerly Lipex Pharmaceuticals, Inc.) and the British Columbia Cancer Agency dated February 25, 1993 and terminated May 6, 2002.

1.1.13 "**BCCA Patents**" means:

(a) the egg sphingomyelin patents assigned by the BCCA to INEX; and

(b) any and all counterparts of the foregoing, including all divisionals, provisionals, non-provisionals, and continuations, and all patents issuing on any of the foregoing and any foreign counterparts thereof, together with all registrations, reissues, re-examinations, supplemental protection certificates, additions, renewals or extensions thereof and any foreign counterparts thereof;

that are subject to the rights of:

(c) the BCCA (including royalty rights) under the terms and conditions of the BCCA Agreements;

(d) INEX (including milestone, Licensing/Sublicensing Revenue and royalty rights) under the terms and conditions of this Agreement; and

(e) Aradigm under the terms and conditions of the Aradigm License.

1.1.14 "**Business Day**" means any day other than a day which is a Saturday, a Sunday or a statutory holiday in British Columbia or California.

1.1.15 "**Calendar Quarter**" means each of the three-month periods ending on March 31, June 30, September 30 or December 31.

1.1.16 "**cGMP Requirements**" means the current Good Manufacturing Practices standards required by the FDA (as set forth in the FDCA), the Therapeutic Products Directorate Organization of Health Canada ("**TPD**"), and the European Medicines Evaluation Agency ("**EMEA**") and any other jurisdiction as mutually agreed between the Parties together with their applicable regulations, policies or guidelines which are in effect for the manufacture and testing of pharmaceutical materials, active ingredients, or excipients for use in Phase I, Phase II, and Phase III clinical trials, as applicable.

1.1.17 "**Clinical Activity**" and "**Clinical Activities**" mean any one or more of the activities associated with drug testing in humans, including trial design and execution, payment of investigators', institutional, and contractors' fees, drug distribution and accountability, analytical testing, data management, statistical analysis, adverse event reporting, and scientific publication, performed in pursuit of the Development and Commercialization of a Product.

1.1.18 "**Clinical Trial Material**" means labeled and packaged Sphingosomal Vincristine, Sphingosomal Vinorelbine and/or Sphingosomal Topotecan, and any component(s) thereof used or to be used, in clinical trials.

1.1.19 "**Closing Payment**" means an aggregate of One Million Five Hundred Thousand Dollars ($1,500,000) in funds held in escrow paid by Hana to INEX pursuant to the terms and conditions of the Transaction Agreement.

1.1.20 "**Closing Shares**" means the number of shares of Common Stock determined by dividing Ten Million Dollars ($10,000,000) by the FMV of the Common Stock as of March 16, 2006, paid by Hana to INEX pursuant to the terms and conditions of the Transaction Agreement.

1.1.21 "**Commercialize**" and "**Commercialization**" mean the activities customarily associated with sales of pharmaceutical products including without limitation, DDMAC Activities, price and reimbursement negotiations, pre-launch and launch activities, marketing, sales, distribution, post-approval Clinical Activities, the development, prosecution, registration and maintenance of trademarks, trade names and domain names, and Pharmacovigilance in each country in the Territory.

1.1.22 "**Commercially Reasonable Efforts**" means those efforts and resources that Hana would use were it developing, promoting and detailing its own pharmaceutical products which are of similar market potential as the Products, taking into account product labeling, market potential, past performance, economic return, the regulatory environment and competitive market conditions in the therapeutic area, all as measured by the facts and circumstances at the time such efforts are due.

1.1.23 "**Common Stock**" means the common stock of Hana, par value $0.001 per share.

1.1.24 "**Confidential Information**" means all information, knowledge or data:

(a) of an intellectual, technical, scientific or industrial nature, patentable or otherwise, in which a Party has a proprietary or ownership interest, including, without limitation, technical data, drawings, photographs, scans, specifications, standards, analytical methods, techniques, manuals, reports, formulas, compilations, processes, information, lists, trade secrets, computer software, programs, devices, equipment, concepts, inventions, designs, and know-how (including Technology);

(b) pertaining to the business and affairs of a Party, including, without limitation, financial information, marketing, manufacturing and commercial strategies, patent positioning, business plans, strategies and developments, including any negative developments; or

(c) provided or disclosed to a Party by Third Parties subject to restrictions on use or disclosure, whether oral or written, furnished by the disclosing Party to the receiving Party or any of its Representatives, whether furnished or prepared before or after the Effective Date of the Definitive Agreements, and includes all analyses, compilations, data, studies, reports or other documents based upon or including any of such information, data or knowledge and, in all cases, all copies and tangible embodiments thereof, in whatever form or medium;

provided that Confidential Information shall not include such information which:

(a) can be demonstrated by the receiving Party by written record to have been known or otherwise available to the receiving Party prior to the disclosure by the disclosing Party;

(b) can be demonstrated by the receiving Party by written record to have been in the public domain at the time of disclosure;

(c) after disclosure, can be demonstrated by the receiving Party by written record to have subsequently become part of the public domain other than as a consequence of a breach of this Confidential Disclosure Agreement by the receiving Party or its Representatives;

(d) after disclosure, can be demonstrated by the receiving Party by written record to have been subsequently provided to the receiving Party by a Third Party, but only to the extent that the receiving Party can demonstrate that such disclosure does not violate any obligations of the Third Party to the disclosing Party; or

(e) the receiving Party can demonstrate by written records results from research and development activity conducted by the receiving Party or any of its Affiliates independently and in advance of disclosure by the other Party thereof.

A specific disclosure shall not be deemed to be within the above exceptions, merely because they are embraced by general disclosures within the above exceptions, and any combination of features shall not be deemed within the above exceptions merely because individual features are within the above exceptions.

1.1.25 "**Damages**" means any losses, liabilities, obligations, damages, penalties, fines, claims, demands, actions, suits, costs and expenses of any nature whatsoever, excluding indirect, special or consequential damages, but including, without limitation, legal fees, charges and disbursements, and the indirect, special or consequential damages of Third Parties for which a Party, INEX Indemnitees or Hana Indemnitees, as the case may be, is responsible.

1.1.26 "**DDMAC Activities**" mean all activities performed in accordance with the requirements of the Division of Drug Marketing, Advertising and Communications, Center for Drug Evaluation and Research of the FDA, and the Office of the Inspector General of the Department of Health and Human Services of the United States.

1.1.27 "**Definitive Agreements**" mean the Asset Purchase Agreement, Elan Assignment and Novation Agreement, License Agreement, Service Agreement, UBC Sublicense Agreement; Transaction Agreement, and Registration Rights Agreement.

1.1.28 "**Designated EU States**" means any one of Germany, the United Kingdom, Italy, France or Spain.

1.1.29 "**Develop**" and "**Development**" means:

(a) all activities set forth in the Development Plan; and

(b) all activities necessary to obtain and maintain Regulatory Approvals in each country in the Territory, including Clinical Activities, Regulatory Activities, Technical Transfer and Manufacturing activities.

1.1.30 "**Development Plan**" means the development plan for seeking Regulatory Approvals for each Product in the Territory during the initial twelve (12) months following the Effective Date of the Definitive Agreements, together with a corresponding budget accounting for the anticipated costs to be expended or incurred by Hana in conducting the Development. The Development Plan and any amendments thereto adopted in accordance with Article 4 will form a part of this Agreement.

1.1.31 "**Discontinued Patent**" shall have the meaning set forth in Section 8.5.3.

1.1.32 "**Dispute**" shall have the meaning set forth in Section 13.1.1.

1.1.33 "**Dollars**" or "**$**" shall mean the lawful money of the United States of America.

1.1.34 "**Effective Date of the Definitive Agreements**" means May 6, 2006.

1.1.35 "**Excess Amount**" shall have the meaning set forth in Section 9.2.6.

1.1.36 "**Fair Market Value**" for the purposes of Sections 1.1.69 and 1.1.56, means the highest price, expressed in dollars, that an asset (whether tangible or intangible) would bring in an open and unrestricted market, between a willing buyer and a willing seller who are both knowledgeable, informed, and prudent, and who are acting independently of each other.

1.1.37 "**FDA**" means the Food and Drug Administration of the United States of America.

1.1.38 "**FMV**" means the quotient resulting from dividing (A) the sum of the value of all trades for each of the twenty (20) trading days immediately preceding the FMV reference date, by (B) the aggregate volume of all trades of shares of Common Stock during such twenty trading day period, in each case as reported in the principal exchange or stock market on which the Common Stock is then listed.

1.1.39 "**FTE Rate**" means the fully burdened rate established by INEX for the services of a INEX employee or consultant providing IP Services which for the first year from the Effective Date of the Definitive Agreements, is [*] based on 1,800 employee hours per year, or pro-rata portion thereof; provided however, that on each anniversary of the Effective Date of the Definitive Agreements, the FTE Rate shall be adjusted by a percentage equal to the net change in the Consumer Price Index (All Items) for the province of British Columbia for the twelve (12) month period ending with December of the calendar year immediately preceding such anniversary date.

1.1.40 "**GCP Requirements**" or "**Good Clinical Practices**" means the then current standards for clinical trials for pharmaceuticals as required by the FDA, the TPD and the equivalent Regulatory Authority elsewhere in the Territory and as applicable, the policies and guidelines of the International Conference on Harmonization in effect for the clinical testing of pharmaceutical materials.

1.1.41 "**GLP Requirements**" or "**Good Laboratory Practices**" means the current Good Laboratory Practices standards required by the FDA, the TPD and the equivalent Regulatory Authority elsewhere in the Territory in effect for the testing of pharmaceutical materials as applied to raw materials and finished products.

1.1.42 "**Hana Field**" means all uses of the Products.

1.1.43 "**Hana Indemnitees**" shall have the meaning set forth in Section 12.2.

1.1.44 "**Hana Intellectual Property**" means:

(a) all Intellectual Property Rights patents and patent applications (whether complete or incomplete or whether filed or unfiled), including registrations, in any jurisdiction world-wide, as well as any patents and patent applications to which Hana has accepted an assignment or license during the term of this Agreement; and

(b) all Confidential Information owned or controlled by Hana at any time during the Term of this Agreement.

1.1.45 "**IND**" means an Investigational New Drug application in accordance with the rules and regulations of the FDA.

1.1.46 "**Indemnitee**" shall have the meaning set forth in Section 12.3.

1.1.47 "**Indemnitor**" shall have the meaning set forth in Section 12.3.

1.1.48 "**INEX Indemnitees**" shall have the meaning set forth in Section 12.1.

1.1.49 "**Intellectual Property Rights**" means all intellectual property rights subject to protection by intellectual property laws in any country of the world, arising under statutory or common law, contract, or otherwise, and whether or not perfected, including without limitation, all (a) patents, reissues of and re-examined patents, and patent applications, whenever filed and wherever issued, including without limitation, continuations, continuations-in-part, substitutes and divisions of such applications and all priority rights resulting from such applications; (b) rights associated with works of authorship including without limitation copyrights, moral rights, copyright applications, copyright registrations, synchronization rights, mask work rights, mask work applications, mask work registrations; (c) rights associated with trademarks, service marks, trade names, logos, trade dress, goodwill and the applications for registration and registrations thereof; (d) rights relating to the protection of trade secrets and confidential information (e) rights analogous to those set forth in this Section and any and all other proprietary rights relating to intangible property; and (f) divisions, continuations, renewals, reissues and extensions of the foregoing (as and to the extent applicable) now existing, hereafter filed, issued or acquired.

1.1.50 "**IP Committee**" shall have the meaning set forth in Section 8.1.

1.1.51 "**IP Services**" means such services as Hana deems reasonably necessary, desirable or helpful to evidence, maintain, protect or enforce Hana's rights as set forth under the Services Agreement, and as further defined in Section 8.6.2.

1.1.52 "**License**" means an agreement between Hana and its Affiliate or between Hana and a Third Party, to whom Hana has granted a license of the rights granted by INEX to Hana in respect of one or more of the following:

(a) the Assigned Patents; and

(b) that portion of the Technology that relates to the Assigned Patents.

1.1.53 "**License Agreement**" means the License Agreement dated May 6, 2006 between INEX and Hana.

1.1.54 "**Licensed Patents**" means all right, title and interest in and to the inventions described in:

(a) with the exception of the Assigned Patents, the patents and patent applications existing on the Effective Date of the Definitive Agreements that were originally assigned to INEX and are listed in **Exhibit 1.1.54** attached hereto; and

(b) any and all patents and patent applications assigned or licensed by INEX to Hana after the effective date of this Agreement and during the Term of this Agreement that are necessary and useful in the Development or Commercialization of the Products, subject to the terms and limitations of any agreement related to such patents and applications; and

(c) any and all counterparts of the foregoing, including all divisionals, provisionals, non-provisionals, and continuations, and all patents issuing on any of the foregoing and any foreign counterparts thereof, together with all registrations, reissues, re-examinations, supplemental protection certificates, additions, renewals or extensions thereof and any foreign counterparts thereof.

1.1.55 "**Licensee**" means an Affiliate or Third Party to whom Hana has granted a License. Without limiting the generality of the foregoing, a Licensee shall be deemed to include an Affiliate or Third Party who is granted a License hereunder by Hana pursuant to the terms of the outcome or settlement of any infringement or threatened infringement or threatened infringement action. Without limiting the generality of the foregoing, a Licensee shall be deemed to include any Affiliate or Third Party who is granted a License hereunder by Hana pursuant to the terms of the outcome or settlement of any infringement or threatened infringement action.

1.1.56 "**Licensing/Sublicensing Revenue**" means all transaction closing payments, milestone payments, license fees and any other pre-Commercialization payments (excluding royalties, sales revenue, sales commissions and any monies and proceeds derived from the sale of licensed or sublicensed Product) payable to, collected or received by Hana or its Affiliates pursuant to each License or Sublicense entered into in respect of:

(a) the Technology;

(b) the Licensed Patents; and/or

(c) the Assigned Patents.

Except as otherwise expressly provided below, "Licensing/Sublicensing Revenue" shall not include:

(d) loans to Hana or its Affiliates by a Licensee or Sublicensee relating to the Patents and Technology, except to the extent that the interest charged for such loan is less than Fair Market Value (in which case only such difference between the interest rate charged to Hana and the interest rate at Fair Market Value shall constitute Licensing/Sublicensing Revenue) or to the extent that the principal of a loan is forgiven (in which case only such forgiven amount shall constitute Licensing/Sublicensing Revenue); or

(e) equity investments in Hana by a Licensee or Sublicensee, or equity of the Licensee or Sublicensee relating to the Patents and Technology, except to the extent that such investment are made at greater than Fair Market Value (in which case only the excess premium shall constitute Licensing/Sublicensing Revenue). For the purposes of this Section, if the shares of either Hana or its Licensee or Sublicensee are not listed on any stock exchange, the Fair Market Value shall be based on the price at which shares of either Hana or its Licensee or Sublicensee, as the case may be, have been issued to investors (who are not industry-related strategic investors or collaborative research partners) in the then most recent bona fide arm's length private placement financing completed within the preceding twelve (12) months having gross proceeds of at least Ten Million Dollars ($10,000,000). If no such private placement financing has been completed, the Parties shall appoint a mutually acceptable Person as an independent evaluator, and if the Parties cannot agree on an evaluator, the Fair Market Value shall be determined as provided in Article 13; or

(f) An exchange of rights, assets, liabilities or other interest of any kind, except to the extent that the economic benefit conferred upon Hana or its Affiliates by reason of such exchange exceeds the Fair Market Value of the consideration which would have been paid by Hana or its Affiliates for such rights, assets, liabilities or interests, as determined by: (i) the mutual agreement of the Parties following the application of U.S. GAAP, or failing mutual agreement; (ii) the binding decision of a mutually appointed independent Third Party banker or valuator familiar with the pharmaceutical industry.

For the avoidance of doubt, and without limiting the generality of the foregoing, "Licensing/Sublicensing Revenue" shall include any Development funding in excess of Hana's true Development costs, whether measured: (i) as an FTE rate in excess of Hana's actual FTE rate; (ii) as project funding in excess of Hana's actual project cost; (iii) as a premium on any pass-through costs incurred by Hana; or (iv) as a premium or rate charged in excess of any of Hana's actual costs incurred in Development.

1.1.57 "**Litigating Party**" shall have the meaning set forth in Section 9.2.5.

1.1.58 "**Major Markets**" means the countries of the United States of America, Germany, the United Kingdom, Italy, France, Spain.

1.1.59 "**Manufacture**", "**Manufactured**" and "**Manufacturing**" means all or a portion of the activities of Hana, INEX, its Affiliates or their respective Third Party contractors associated with the manufacturing, filling, sampling, testing, handling, labeling, packaging and storage of Material and all work-in-progress.

1.1.60 "**Marqibo**" is Hana's trade name for Sphingosomal Vincristine.

1.1.61 "**Material**" means all compounds, materials, substances, components or consumables sourced or Manufactured by INEX, Hana or any of their respective Third Party contractors to produce Clinical Trial Material (including Clinical Trial Material), and Product for commercial sale, but excluding machinery and equipment.

1.1.62 "**Maximum Issuance Amount**" shall have the meaning set forth in Section 3.4.

1.1.63 "**MD Anderson**" means the University of Texas MD Anderson Cancer Center.

1.1.64 "**MD Anderson Assignment and Novation Agreement**" means the Assignment and Novation Agreement between MD Anderson, INEX and Hana to effect the assignment by INEX to Hana of the MD Anderson License.

1.1.65 "**MD Anderson License**" means the Patent and Technology License Agreement made as of February 14, 2000 between the Board of Regents of the University of Texas System on behalf of the University of Texas MD Anderson Cancer Center and INEX, amended as of August 15, 2000.

1.1.66 "**MD Anderson Patents**" means the Sarris Patents and Thomas Patents.

1.1.67 "**Method Transfer**" means, in respect of the Services, the transfer by INEX and/or INEX's Third Party contractors to Hana, Hana's Third Party contractors and/or INEX's Third Party contractors, of the methods for the testing of Material pursuant to Method Transfer protocols mutually agreed between the Parties, and shall include, without limitation, performance of Method Transfer qualification.

1.1.68 "**NDA**" means a New Drug Application in accordance with the rules and regulations of the FDA.

1.1.69 "**Net Sales**" means the aggregate United States dollar equivalent of gross revenues invoiced by Hana and its Affiliates and Licensees and Sublicensees from or on account of the sale of Product to Third Parties, in any given calendar year, less deductions actually allowed or specifically allocated to Product and actually incurred by Hana or its Affiliates or Licensees or Sublicensees using US GAAP and reasonable practices with respect to sales of all Product, consistently applied, for the following:

(a) credits or allowances, if any, actually granted on account of recalls, rejection or return of Product;

(b) insurance, freight or other transportation costs incurred in shipping Product to such Third Parties; and

(c) excise taxes, sales taxes, value added taxes, consumption taxes, customs and other duties or other taxes or other governmental charges imposed upon and paid or allowed with respect to the production, importation, use or sale of Product (excluding income or franchise taxes of any kind);

(collectively, the "**Permitted Deductions**"). The foregoing definition is subject to the following:

(d) no deductions shall be made for any item of cost incurred by Hana, its Affiliates or Licensees or Sublicensees in preparing, Manufacturing, shipping or selling Product except as permitted pursuant to Sections 1.1.69(a), 1.1.69(b) and 1.1.69(c) inclusive;

(e) Net Sales shall not include transfer between any of Hana and any of its Affiliates or Licensees or Sublicensees for resale, but Net Sales shall include the subsequent final sales to Third Parties by such Affiliates or Licensees or Sublicensees;

(f) Fair Market Value shall be assigned to any and all non-cash consideration such as but not limited to any credit, barter, benefit, advantage or concession received by Hana or its Affiliates or Licensees or Sublicensees in payment for sale of Product;

(g) as used in this definition, a "sale" shall have occurred when Product are billed out or invoiced;

(h) notwithstanding anything herein to the contrary, the following shall not be considered a sale of Product under this Agreement:

(i) the transfer of a Product to a Third Party without consideration to Hana in connection with the development or testing of a Product; or

(ii) the transfer of a Product to a Third Party without consideration in connection with the marketing or promotion of the Product (e.g., samples).

1.1.70 "**Non-Abandoning Party**" shall have the meaning set forth in Section 8.5.1.

1.1.71 "**Non-Competition Terms**" means the terms and conditions contained in Article 7 of the Transaction Agreement between the Parties dated May 6, 2006.

1.1.72 "**Non-litigating Party**" shall have the meaning set forth in Section 9.2.5.

1.1.73 "**Notice of Abandonment**" shall have the meaning set forth in Section 8.5.1.

1.1.74 "**Party**" means INEX or Hana and "**Parties**" means INEX and Hana.

1.1.75 "**Patents**" means the Licensed Patents and the Assigned Patents.

1.1.76 "**Person**" means and includes any individual, corporation, partnership, firm, joint venture, syndicate, association, trust, government body, and any other form of entity or organization.

1.1.77 "**Pharmacovigilance**" means all the activities associated with maintaining an effective drug safety monitoring system and adverse events reporting system in compliance with the requirements of Regulatory Authorities.

1.1.78 "**Prime Rate**" means the prime or equivalent rate quoted by the Bank of Canada from time to time.

1.1.79 "**Product**" means any one or more of Sphingosomal Vincristine, Sphingosomal Vinorelbine, and Sphingosomal Topotecan.

1.1.80 "**Publishing Party**" shall have the meaning set forth in Section 10.4.1.

1.1.81 "**QA**" means Quality Assurance, being that part of each management system, within Hana and INEX separately, having responsibility for assuring the quality of Material and Manufacturing in respect of compliance with Regulatory Requirements.

1.1.82 "**QC**" means Quality Control, being that part of each management system, within Hana and INEX separately, having responsibility for quality control testing of Material in respect of compliance with Regulatory Requirements.

1.1.83 "**Registrational Clinical Trial**" means any one of a Phase III clinical trial or pivotal Phase II clinical trial conducted in furtherance of Regulatory Approvals.

1.1.84 "**Regulatory Activity**" and "**Regulatory Activities**" mean any one or more of the regulatory activities to be performed by Hana, its Licensees, Sublicensees, or their respective Representatives in pursuit of the Development of each Product, including writing, translation, compilation, notification, submission, filing, defense, maintenance and renewal of Regulatory Approvals and payment of fees associated therewith, and meeting with Regulatory Authorities.

1.1.85 "**Regulatory Approvals**" means all necessary and appropriate regulatory approvals which must be obtained before placing each Product on the market in any country in the Territory in which such approval is required, including without limitation, INDs, NDAs, and any other comparable terms as applicable with regard to any such approvals in any other country in the Territory.

1.1.86 "**Regulatory Authorities**" means the FDA and any other like governmental authorities, whether federal, provincial, state or municipal, regulating the manufacture, importation, distribution, marketing, clinical testing and/or sale of therapeutic substances in the Territory.

1.1.87 "**Regulatory Requirements**" means Applicable Laws and all rules, regulations and guidances in respect of QC and QA procedures and processes, manufacturing and production batch records (including the master production record), packaging, handling, storage, delivery and retention of raw material and finished product samples and associated support data, and all licenses, certificates, authorizations or requirements from Regulatory Authorities in the Territory, including but not limited to cGMP Requirements in respect of the Manufacture of Material.

1.1.88 "**Regulatory Submission**" means any submission or filing made in furtherance of obtaining and maintaining any Regulatory Approvals.

1.1.89 "**Representatives**" means, in respect of a Person, that Person's Affiliates and their respective directors, officers, employees, consultants, subcontractors, licensees or sublicensees (including Licensees and Sublicensees) as the case may be, agents, representatives and other persons acting under their authority.

1.1.90 "**Royalty-free License**" means a license granted by Hana to INEX for any and all uses of the MD Anderson Patents outside the Hana Field in respect of which:

(a) subject to Section 1.1.90(b), a fully paid up, royalty-free license; and

(b) INEX unconditionally, absolutely and irrevocably agrees with Hana to continue to remain liable for royalty payments to MD Anderson under the MD Anderson License in respect of INEX's use of the MD Anderson Patents outside the Hana Field.

1.1.91 "**Sarris Patents**" means:

(a) the Sarris patents and patent applications jointly owned by MD Anderson and INEX, as set forth in **Exhibit 1.1.91**; and

(b) any and all counterparts of the foregoing, including all divisionals, provisionals, non-provisionals, and continuations, and all patents issuing on any of the foregoing and any foreign counterparts thereof, together with all registrations, reissues, re-examinations, supplemental protection certificates, additions, renewals or extensions thereof and any foreign counterparts thereof;

that are subject to the rights of

(c) MD Anderson (including annual fees and royalty rights to MD Anderson) under the terms and conditions of the MD Anderson License; and

(d) INEX (including milestone, Licensing/Sublicensing Revenue and royalty rights) under the terms and conditions of this Agreement.

1.1.92 "**Service Agreement**" means the Service Agreement entered into between INEX and Hana dated May 3, 2006 and effective as of April 3, 2006.

1.1.93 "**Sphingosomal Topotecan**" means a liposome that includes sphingomyelin and cholesterol and contains encapsulated topotecan, wherein the sphingomyelin comprises less than 20% dihydrosphingomyelin.

1.1.94 "**Sphingosomal Topotecan R&D Expenses**" shall have the meaning set forth in Section 3.3.4.

1.1.95 "**Sphingosomal Vincristine**" means a liposome that includes sphingomyelin and cholesterol and contains encapsulated vincristine, wherein the sphingomyelin comprises less than 20% dihydrosphingomyelin.

1.1.96 "**Sphingosomal Vincristine NDA**" shall have the meaning set forth in Section 3.1.1.

1.1.97 "**Sphingosomal Vincristine R&D Expenses**" shall have the meaning set forth in Section 3.1.4

1.1.98 "**Sphingosomal Vinorelbine**" means a liposome that includes sphingomyelin and cholesterol and contains encapsulated vinorelbine, wherein the sphingomyelin comprises less than 20% dihydrosphingomyelin.

1.1.99 "**Sphingosomal Vinorelbine R&D Expenses**" shall have the meaning set forth in Section 3.2.4.

1.1.100 "**Sublicense**" means an agreement between:

(a) a Licensee and a Person to whom such Licensee has granted a sublicense of the rights granted under the License; and

(b) an agreement between Hana and its Affiliate or between Hana and a Third Party, to whom Hana has granted a sublicense of the rights granted by INEX to Hana in respect of one or more of the following:

(i) the Licensed Patents; and

(ii) that portion of the Technology that relates to the Licensed Patents.

1.1.101 "**Sublicensee**" means a Person to whom a Licensee has granted a Sublicense and a Person to whom Hana has granted a Sublicense. Without limiting the generality of the foregoing, a Sublicensee shall be deemed to include any Person who is granted a Sublicense hereunder pursuant to the terms of the outcome or settlement of any infringement or threatened infringement or threatened infringement action.

1.1.102 "**Technical Transfer**" means the transfer by INEX and/or INEX's Third Party contractors to Hana, Hana's Third Party contractors and/or INEX's Third Party contractors of those aspects of the Technology necessary and useful for the Manufacture of Material, and includes Method Transfer.

1.1.103 "**Technology**" includes:

(a) all technical information and know-how relating to the technology claimed in the Patents in the Hana Field, including without limitation all such information as is described in certain of the laboratory notebooks enumerated in **Exhibit 1.1.103** attached hereto; and

(b) all Confidential Information possessed by INEX on the Effective Date of the Definitive Agreements pertaining to the Products in the Hana Field in data, drawings, formulae, know-how, unpatented inventions, manufacturing information, specifications, product design histories, technical dossiers, regulatory records, quality system documentation, whether protectable or not as trade secrets or otherwise including, without limitation, standard operating procedures, technical reports, synthetic protocols, manufacturing protocols, animal protocols, invention disclosures, manufacturing records, process development data, formulation records, biological, chemical, pharmacological, toxicological assay results, controls, clinical testing data, IND data and histology slides.

1.1.104 "**Term**" shall have the meaning set forth in Section 14.1.

1.1.105 "**Territory**" means all of the countries and territories of the world.

1.1.106 "**Third Party(ies)**" means any Person(s) other than INEX or Hana or any of their respective Affiliates.

1.1.107 "**Thomas Patents**" means

(a) the Thomas patent applications owned by INEX as set forth in **Exhibit 1.1.9** attached hereto; and

(b) any and all counterparts of the foregoing, including all divisionals, provisionals, non-provisionals, and continuations, and all patents issuing on any of the foregoing and any foreign counterparts thereof, together with all registrations, reissues, re-examinations, supplemental protection certificates, additions, renewals or extensions thereof and any foreign counterparts thereof;

subject to the rights of:

(c) MD Anderson (including annual fees and royalty rights) under the terms and conditions of the MD Anderson License; and

(d) INEX (including milestone, Licensing/Sublicensing Revenue and royalty rights) under the terms and conditions of this Agreement.

1.1.108 "**Transaction Agreement**" means the Transaction Agreement dated May 6, 2006 between Hana and INEX.

1.1.109 "**US GAAP**" means generally accepted accounting principles applied in the United States of America.

1.1.110 "**Valid Claim**" means either:

(a) a claim of an issued and unexpired patent which has not been held unenforceable, unpatentable or invalid by a court or other governmental agency of competent jurisdiction, and which has not been admitted to be invalid or unenforceable through reissue, disclaimer or otherwise; or

(b) a claim in a patent application, provided that if such pending claim has not issued as a claim of an issued patent within seven (7) years after the filing date of such patent application, such pending claim shall not be a Valid Claim for purposes of this Agreement.

In the event that a claim of an issued patent is held by a court or other governmental agency of competent jurisdiction to be unenforceable, unpatentable or invalid, and such holding is reversed on appeal by a higher court or agency of competent jurisdiction, such claim shall be reinstated as a Valid Claim hereunder, effective as of the date of such reinstatement.

1.2 Other Definitions

Any words defined elsewhere in this Agreement shall have the particular meaning assigned to the words thereto.

Article 2 Patent and Technology

2.1 Amendment of License Agreement

2.1.1 Subject to the terms and conditions of this Agreement, the Parties hereby agree:

(a) to terminate:

(i) the exclusive license by INEX to Hana under the MD Anderson Patents, subject to the terms and conditions set forth in the MD Anderson License, to make, have made, use, sell, offer for sale, import, and have imported Products in the Hana Field within the Territory; and

(ii) the exclusive license by Hana to INEX under the Hana Intellectual Property, subject to the terms and conditions of the License Agreement, to make, have made, use, sell, offer for sale, import, and have imported products outside the Hana Field; and

(b) to affirm INEX's grant to Hana, and Hana's acceptance, of:

(i) an exclusive license under the Licensed Patents to make, have made, use, sell, offer for sale, import, and have imported Products in the Hana Field within the Territory; and

(ii) an exclusive license to the Technology to make, have made, use, sell, offer for sale, import, and have imported Products in the Hana Field within the Territory; and

(c) to the irrevocable and absolute grant, sale, assignment and conveyance by INEX to Hana, and Hana's acceptance of:

(i) INEX's entire right, title and interest in and to the Thomas Patents subject to the terms and conditions set forth in the MD Anderson License; and

(ii) INEX's entire right, title and interest in and to INEX's joint ownership of the Sarris Patents subject to the terms and conditions set forth in the MD Anderson License;

subject to the provisions of Sections 8.5 and 14.3.

2.1.2 It is understood and agreed that the foregoing exclusive licenses in Section 2.2.1(b) grant to Hana the rights enumerated to the exclusion of all other parties, including INEX and its Affiliates.

2.1.3 It is also understood that INEX retains exclusive rights under the Licensed Patents and Technology outside the Hana Field.

2.2 License Grant to INEX

2.2.1 Subject to the terms and conditions of this Agreement, Hana hereby grants to INEX and INEX hereby accepts an, irrevocable world-wide, exclusive, Royalty-Free License under the MD Anderson Patents to make, have made, use, sell, offer for sale, import, and have imported products outside the Hana Field subject only to the provisions of Sections 8.5 (relating to abandonment, withdrawal or discontinuance of patent protection) and 14.3 (relating to termination on bankruptcy).

2.2.2 In respect of the license granted by Hana to INEX under Section 2.2.1, the Parties understand and agree that:

(a) except as otherwise provided in the MD Anderson License, the foregoing exclusive licenses grant to INEX the rights enumerated to the exclusion of all other parties, including Hana and its Affiliates; and

(b) Hana retains exclusive rights under the Assigned Patents in the Hana Field.

2.2.3 Hana hereby grants to INEX a non-exclusive license under the Patents and Technology to make, have made, use, import and have imported Products solely for non-commercial research, scholarly publication, education, or other non-commercial purposes.

2.2.4 Hana hereby grants to INEX a non-exclusive license under the Patents and Technology to carry out INEX's activities under the Development Plan and Services Agreement.

2.2.5 Hana hereby grants to INEX a worldwide, royalty-free, non-exclusive license under the Hana Intellectual Property to make, have made, use, sell, offer to sell, import, and have imported liposomes and liposomes having an active agent encapsulated, intercalated or entrapped therein outside the Hana Field, with the proviso that this grant does not extend to:

(a) any Intellectual Property Rights licensed by Hana prior to the Effective Date of the Definitive Agreements, except to the extent that such license permits Hana to grant such rights to INEX; or

(b) any Hana Intellectual Property directed to the active agent itself.

2.3 Compliance with Third Party Agreements

2.3.1 Subject to INEX's performance of its obligations under this Agreement, and in consideration for INEX's sublicense of the BCCA Patents, Hana unconditionally, absolutely and irrevocably covenants and agrees with INEX as primary obligor, to adopt as Hana's own obligations every obligation of INEX contained or set forth in the BCCA Agreements.

2.3.2 Subject to Hana's performance of its obligations under this Agreement, INEX unconditionally, absolutely and irrevocably covenants and agrees with Hana to:

(a) adopt as INEX's own obligations, the royalty obligations set forth in the MD Anderson License to the extent such obligations arise from INEX's, its licensees' or sublicensees' use of the MD Anderson Patents outside the Hana Field; and

(b) to continue to comply with INEX's royalty obligations set forth in the BCCA Agreements to the extent such obligations arise from INEX's, its licensees' or sublicensees' use of the BCCA Patents outside the Hana Field.

2.4 Licensing and Sublicensing

2.4.1 With respect to the licenses and assignments granted to Hana under Section 2.1, subject to the terms and conditions set out in the BCCA Agreements and the MD Anderson License and Hana's assumption of any and all license fees, annual fees, milestone payments and royalty obligations set forth in this Agreement, Hana shall have the right to grant Licenses and Sublicenses to its Affiliates and to Third Parties.

2.4.2 All Licenses and Sublicenses granted under this Section 2.4 shall be subject to the following:

(a) Hana will cause each Affiliate so licensed or sublicensed to perform the terms of this Agreement as if such Affiliate were Hana hereunder;

(b) each Affiliate so licensed or sublicensed shall unconditionally, absolutely and irrevocably covenant and agree with INEX as primary obligor, to adopt as its own obligations every obligation of Hana contained or set forth in this Agreement to the extent pertinent to the scope of such License or Sublicense;

(c) Hana unconditionally guarantees the performance of each Affiliate hereunder as if they were signatories to this Agreement to the extent the performance or lack of performance is a breach of this Agreement;

(d) the obligations and liabilities of each Affiliate and Hana under this Agreement shall be joint and several and INEX shall not be obliged to seek recourse against an Affiliate before enforcing its rights against Hana. For greater certainty it is hereby confirmed that any default or breach by an Affiliate of any term of this Agreement will also constitute a default by Hana under this Agreement, and INEX shall be entitled to exercise its rights hereunder, in addition to any other rights and remedies to which INEX may be entitled;

(e) each License and Sublicense shall contain covenants by the Third Party Licensee and Sublicensee, as the case may be, for the benefit of INEX to observe and perform similar terms and conditions to those in this Agreement;

(f) all Licenses and Sublicenses granted by Hana shall be further sublicensable or assignable without the prior written consent of INEX; provided however, that Hana shall not license or sublicense any rights granted herein to any Person that in whole or in part, either alone or in partnership, in collaboration or in conjunction with any Person other than INEX, whether as principal, agent, employee, director, officer, shareholder, licensor or in any capacity or manner whatsoever, whether directly or indirectly manufactures liposomal products without first either: (i) obtaining INEX's written consent; or (ii) including in such License or Sublicense, as the case may be, a provision requiring the Licensee or Sublicense, as the case may be, to agree that it will not use the Technology for any purpose other than the Products;

(g) in the event that Hana becomes aware of a material breach of any such License or Sublicense by a Third Party Licensee or Sublicensee, Hana shall promptly notify INEX of the particulars of same and take all reasonable steps to enforce the terms of such License or Sublicense, as the case may be;

(h) within ten (10) Business Days after execution of each License or Sublicense, as the case may be, Hana shall provide INEX with a copy thereof, provided, however, that only if Hana is bound by the terms of an agreement which predates this Agreement and prohibits Hana from disclosing the financial terms of each License or Sublicense, then Hana shall be permitted to redact the financial terms thereof. The terms of each Sublicense Agreement shall be deemed to constitute "Confidential Information" of Hana for all purposes of this Agreement, and INEX shall not disclose the information contained in such Sublicense Agreement to any Third Party except as authorized pursuant to Article 10 of this Agreement;

(i) all Licenses and Sublicenses shall terminate upon the termination of Hana's rights granted herein unless events of default are cured by Hana or its Licensee or Sublicensee, as the case may be, within the period for the cure of default after notification by INEX as provided by the terms of this Agreement;

(j) any Licensee who wishes to grant Sublicense or any Sublicensee who wishes to grant a further sub-Sublicense shall comply with the terms of this Section as if the further Sublicense or sub-Sublicense, as the case may be, were a License or Sublicense hereunder, including providing to INEX and Hana the information described in this Section, and obtaining the consent referred to in this Section, prior to any execution of any such Sublicense or sub-Sublicense;

(k) all Licenses and Sublicenses shall include an obligation for each Licensee and Sublicensee to account for and report its sales of Product on the same basis as if such sales were sales of Hana, and INEX shall receive compensation in the same amounts as if the sales of Product by the Licensee or Sublicensee, as the case may be, were sales of Hana; and

(l) Hana shall remain responsible to INEX for the compliance of each Licensee and Sublicensee with the financial and other obligations due under this Agreement.

2.4.3 With respect to the licenses granted to INEX under Section 2.2, INEX shall have the right to grant licenses and sublicenses to its Affiliates and to Third Parties. All licenses and sublicenses will be consistent with the terms of this Agreement, shall not relieve Hana or INEX of their obligations hereunder, and shall incorporate terms and conditions for each of INEX's and Hana's benefit comparable to those set forth in Section 2.4.2 applicable to Licenses and Sublicenses granted by Hana.

2.5 Payment of Taxes

Hana shall be responsible for the payment of any federal, provincial, state, local, or withholding taxes which may apply to the transactions contemplated by this Agreement. Under no circumstances will Hana be responsible for any franchise-related taxes or taxes based on INEX's gross or net income.

Article 3 LICENSE FEES, MILESTONES AND ROYALTIES

In consideration of the assignments and licenses granted to Hana under this Agreement and the disclosure to Hana of INEX's Confidential Information, and subject to the provisions of this Agreement, Hana shall pay to INEX milestone payments, license fees and royalties as provided in this Article 3.

The payments provided under this Article 3 are in addition to the portion of the Closing Payment and Closing Shares attributable to each of Sphingosomal Vincristine, Sphingosomal Vinorelbine, and Sphingosomal Topotecan previously paid to INEX by Hana pursuant to the Asset Purchase Agreement.

3.1 Sphingosomal Vincristine.

3.1.1 Milestone Payments:

Hana shall pay to INEX milestones payments in respect of Sphingosomal Vincristine as follows:

(a) [*] within ten (10) days following the FDA's acceptance for review of an NDA submission by Hana relating to Sphingosomal Vincristine (the "**Sphingosomal Vincristine NDA**"), which payment shall be satisfied by Hana issuing to INEX a number of additional shares of Common Stock determined by dividing [*] by the FMV as of the Sphingosomal Vincristine NDA filing date; provided however, if a Regulatory Submission equivalent to an NDA is accepted in any of the Designated EU States before the Sphingosomal Vincristine NDA is accepted, then [*] the milestone payment due under this Section 3.1.1(a) will be paid by Hana to INEX immediately upon the acceptance of that equivalent filing in any of the Designated EU States, and the remaining balance will be paid by Hana to INEX immediately upon the acceptance of the Sphingosomal Vincristine NDA by the FDA; and

(b) [*] within ten (10) days following Hana's receipt of the approval by the FDA of the Sphingosomal Vincristine NDA, which payment shall be made by Hana issuing to INEX a number of additional shares of Common Stock determined by dividing [*] by the FMV as of the date of such approval; provided however, if a Regulatory Submission equivalent to an NDA is approved in any of the Designated EU States before the Sphingosomal Vincristine NDA is approved by the FDA, [*] the milestone payment due under this Section 3.1.1(b) will be paid by Hana to INEX immediately upon the approval of that equivalent filing in any of the Designated EU States, and the remaining balance will be paid by Hana to INEX immediately upon the approval of the Sphingosomal Vincristine NDA by the FDA.

(c) For the avoidance of doubt, each of the milestone payments described in subparagraphs (a) and (b) of this Section 3.1.1 above represent one-time payments to INEX, and shall be due only upon the first occurrence of the events described in each such subparagraph. For example, the milestone payment described in subparagraph (a) above will be due only once, following the FDA's acceptance for review of the Sphingosomal Vincristine NDA. No additional milestone payments to INEX shall be due from Hana pursuant to subparagraph (a) in connection with any subsequent NDA submission by Hana relating to Sphingosomal Vincristine.

3.1.2 Royalties

Hana shall pay royalties to INEX based on cumulative Net Sales of Sphingosomal Vincristine as follows:

(a) With respect to Net Sales of Sphingosomal Vincristine in the United States, a royalty equal to the sum of: (i) [*] of Net Sales in consideration of Patents if the Product sold is embraced within any Valid Claim under the Patents in the United States; (ii) [*] of Net Sales in consideration of, and during any period of Product exclusivity provided by the laws of the United States of America, including but not limited to marketing exclusivity in the form of data exclusivity, pediatric exclusivity, and orphan drug designation exclusivity; and (iii) [*] of Net Sales in consideration of Technology; provided, however, that the total royalty paid shall be limited to [*] of cumulative Net Sales up to [*], and limited to [*] of cumulative Net Sales exceeding [*]; and

(b) With respect to Net Sales of Sphingosomal Vincristine in each country of the Territory other than the United States, a royalty of [*] of Net Sales in consideration of Patents and Technology; provided, however, that the total royalty paid shall be limited to [*] of cumulative Net Sales up to [*], and increased to [*] of cumulative Net Sales in excess of [*].

3.1.3 Generic Competition

If, during a given calendar year, there is sale of a generic Sphingosomal Vincristine or sale of an approved equivalent to Sphingosomal Vincristine (collectively, "**Approved Sphingosomal Vincristine Equivalents**") in any country in the Territory, then, for such country, the total amount of royalties payable to INEX for the Net Sales of Sphingosomal Vincristine in such country during such calendar year will be reduced to [*] of the royalties payable to INEX pursuant to Section 3.1.2 for such calendar year, in such country.

3.1.4 Deductions:

Notwithstanding the schedule of royalty payments set forth in Section 3.1.2, Hana shall be entitled to deduct from such Sphingosomal Vincristine royalty obligations owed by Hana to INEX, an amount equal to [*] of the research and development expenses Hana incurs in connection with the Development of Sphingosomal Vincristine (the "**Sphingosomal Vincristine R&D Expenses**"); provided however, that such deduction shall not exceed the lesser of:

(a) [*]; or

(b) [*] per patient treated in a Registrational Clinical Trial;

provided further, however, that such deduction for Sphingosomal Vincristine R&D Expenses shall not exceed [*] of the royalty amount otherwise payable by Hana to INEX for Sphingosomal Vincristine in each calendar year, provided that Hana shall be entitled to carry over into succeeding years any amount of Sphingosomal Vincristine R&D Expenses that were ineligible for deduction as a result of such limitation. All Sphingosomal Vincristine R&D Expenses shall be subject to audits by INEX using reasonable and customary audit procedures in order to verify the amounts thereof.

3.2 Sphingosomal Vinorelbine

3.2.1 Milestone Payments:

Hana shall pay to INEX milestones payments in respect of Sphingosomal Vinorelbine as follows:

(a) One Million Dollars ($1,000,000) upon on the date the first patient is enrolled in any clinical trial of Sphingosomal Vinorelbine conducted pursuant to an IND sponsored by Hana, of which INEX acknowledges Five Hundred Thousand Dollars ($500,000) has been paid by wire transfer to INEX of immediately available funds and the remaining Five Hundred Thousand Dollars ($500,000) has been paid by Hana issuing to INEX a number of additional shares of Common Stock determined by dividing Five Hundred Thousand Dollars ($500,000) by the FMV as of the date of such first patient enrollment;

(b) [*] upon the date the first patient is enrolled in a Phase II clinical trial of Sphingosomal Vinorelbine conducted pursuant to an IND sponsored by Hana, which payment shall be made by Hana issuing to INEX a number of additional shares of Common Stock determined by dividing [*] by the FMV as of the date of such first patient enrollment; and

(c) [*] upon the approval by the FDA of an NDA relating to Sphingosomal Vinorelbine, which payment shall be made by Hana issuing to INEX a number of additional shares of Common Stock determined by dividing [*] by the FMV as of the date of such FDA approval; provided however, if a Regulatory Submission equivalent to an NDA is approved in any of the Designated EU States before an NDA relating to Sphingosomal Vinorelbine is approved by the FDA, [*] the milestone due under this Section 3.2.1(c) will be paid by Hana to INEX immediately upon approval of that equivalent filing and the remaining balance will be paid by Hana to INEX immediately upon the approval of an NDA relating to Sphingosomal Vinorelbine by the FDA.

(d) For the avoidance of doubt, each of the milestone payments described in subparagraphs (a), (b) and (c) of this Section 3.2.1 above represent one-time payments to INEX, and shall be due only upon the first occurrence of the events described in each such subparagraph. For example, the milestone payment described in subparagraph (a) above will be due only once, upon the date the first patient is enrolled in a clinical trial of Sphingosomal Vinorelbine conducted pursuant to an IND sponsored by Hana. No additional milestone payments to INEX shall be due from Hana pursuant to subparagraph (a) in connection with any subsequent clinical trials sponsored by Hana.

3.2.2 Royalties

Hana shall pay to INEX royalty payments based on cumulative Net Sales of Sphingosomal Vinorelbine as follows:

(a) With respect to Net Sales of Liposomal Vinorelbine in the United States, a royalty equal to the sum of: (i) [*] of Net Sales in consideration of Patents if the Product sold is embraced within any Valid Claim under the Patents in the United States; (ii) [*] of Net Sales in consideration of, and during any period of Product

exclusivity provided by the laws of the United States of America, including but not limited to marketing exclusivity in the form of data exclusivity, pediatric exclusivity, and orphan drug designation exclusivity; and (iii) [*] of Net Sales in consideration of Technology; provided, however, that the total royalty paid shall be limited to [*] of cumulative Net Sales up to [*], and limited to [*] of cumulative Net Sales in excess of [*]; and

(b) With respect to Net Sales of Sphingosomal Vinorelbine in each country of the Territory other than the United States, a royalty of [*] of Net Sales in consideration of Patents and Technology; provided, however, that the total royalty paid shall be limited to [*] of cumulative Net Sales up to [*], and increased to [*] of cumulative Net Sales in excess of [*].

3.2.3 Generic Competition

(a) If, during a given calendar year, there is sale of a generic Sphingosomal Vinorelbine or sale of an approved equivalent to Sphingosomal Vinorelbine (collectively, "**Approved Sphingosomal Vinorelbine Equivalents**") in any country in the Territory, then, for such country, the total amount of royalties payable to INEX for the Net Sales of Sphingosomal Vinorelbine in such country during such calendar year will be reduced to [*] of the royalties payable to INEX pursuant to Section 3.2.2 for such calendar year, in such country.

3.2.4 Deductions:

Notwithstanding the schedule of royalty payments set forth in Section 3.2.2, Hana shall be entitled to deduct from such Sphingosomal Vinorelbine royalty obligations owed by Hana to INEX, an amount equal to [*] of the research and development expenses Hana incurs in connection with the Development of Sphingosomal Vinorelbine (the "**Sphingosomal Vinorelbine R&D Expenses**"); provided however, that such deduction shall not exceed the lesser of:

(a) [*]; or

(b) [*] per patient treated in a Registrational Clinical Trial;

provided further, however, that such deduction for Sphingosomal Vinorelbine R&D Expenses shall not exceed [*] of the royalty amount otherwise payable by Hana to INEX for Sphingosomal Vinorelbine in each calendar year, provided that Hana shall be entitled to carry over into succeeding years any amount of Sphingosomal Vinorelbine R&D Expenses that were ineligible for deduction as a result of such limitation. All Sphingosomal Vinorelbine R&D Expenses shall be subject to audits by INEX using reasonable and customary audit procedures in order to verify the amounts thereof.

3.3 Sphingosomal Topotecan

3.3.1 Milestone Payments:

Hana shall pay to INEX, milestones payments in respect of Sphingosomal Topotecan as follows:

(a) [*] upon the date the first patient is enrolled in any clinical trial of Sphingosomal Topotecan conducted pursuant to an IND sponsored by Hana, which payment shall be made by Hana issuing to INEX a number of additional shares of Common Stock determined by dividing [*] by the FMV as of the date of such first patient enrollment;

(b) [*] upon the date the first patient is enrolled in a Phase II clinical trial of Sphingosomal Topotecan conducted pursuant to an IND sponsored by Hana, which payment shall be made by Hana issuing to INEX a number of additional shares of Common Stock determined by dividing [*] by the FMV as of the date of such first patient enrollment; and

(c) [*] upon the approval by the FDA of an NDA relating to Sphingosomal Topotecan, which payment shall be made by Hana issuing to INEX a number of additional shares of Common Stock determined by dividing [*] by the FMV as the date of such FDA approval; provided however, if a Regulatory Submission equivalent to an NDA is approved in any of the Designated EU States before an NDA relating to Sphingosomal Topotecan is approved by the FDA, [*] the milestone due under this Section 3.3.1(c) will be paid by Hana to INEX immediately upon approval of that equivalent filing and the remaining balance will be paid by Hana to INEX immediately upon the approval of an NDA relating to Sphingosomal Topotecan by the FDA.

(d) For the avoidance of doubt, each of the milestone payments described in subparagraphs (a), (b) and (c) of this Section 3.3.1 above represent one-time payments to INEX, and shall be due only upon the first occurrence of the events described in each such subparagraph. For example, the milestone payment described in subparagraph (a) above will be due only once, upon the date the first patient is enrolled in a clinical trial of Sphingosomal Topotecan conducted pursuant to an IND sponsored by Hana. No additional milestone payments to INEX shall be due from Hana pursuant to subparagraph (a) in connection with any subsequent clinical trials sponsored by Hana.

3.3.2 Royalties

Hana shall pay to INEX royalty payments based on cumulative Net Sales of Sphingosomal Topotecan as follows:

(a) With respect to Net Sales of Sphingosomal Topotecan in the United States, a royalty equal to the sum of: (i) [*] of Net Sales in consideration of Patents if the Product sold is embraced within any Valid Claim under the Patents in the United States; (ii) [*] of Net Sales in consideration of, and during any period of Product exclusivity provided by the laws of the United States of America, including but not limited to marketing exclusivity in the form of data exclusivity, pediatric exclusivity, and orphan drug designation exclusivity; and (iii) [*] of Net Sales in consideration of Technology; provided, however, that the total royalty paid shall be limited to [*] of cumulative Net Sales up to [*], and limited to [*] of cumulative Net Sales in excess of [*]; and

(b) With respect to Net Sales of Sphingosomal Topotecan in each country of the Territory other than the United States, a royalty of [*] of Net Sales in

consideration of Patents and Technology; provided, however, that the total royalty paid shall be limited to [*] of cumulative Net Sales up to [*], and increased to [*] of cumulative Net Sales in excess of [*].

3.3.3 Generic Competition

(a) If, during a given calendar year, there is sale of a generic Sphingosomal Topotecan or sale of an approved equivalent to Sphingosomal Topotecan (collectively, "**Approved Sphingosomal Topotecan Equivalents**") in any country in the Territory, then, for such country, the total amount of royalties payable to INEX for the Net Sales of Sphingosomal Topotecan in such country during such calendar year will be reduced by [*] of the royalties payable to INEX pursuant to Section 3.3.2 for such calendar year, in such country.

3.3.4 Deductions:

Notwithstanding the schedule of royalty payments set forth in Section 3.3.2, Hana shall be entitled to deduct from such Sphingosomal Topotecan royalty obligations owed by Hana to INEX, an amount equal to [*] of the research and development expenses Hana incurs in connection with the Development of Sphingosomal Topotecan (the "**Sphingosomal Topotecan R&D Expenses**"); provided however, that such deduction shall not exceed the lesser of:

(a) [*]; or

(b) [*] per patient treated in a Registrational Clinical Trial;

provided further, however, that such deduction for Sphingosomal Topotecan R&D Expenses shall not exceed [*] of the royalty amount otherwise payable by Hana to INEX for Sphingosomal Topotecan in each calendar year, provided that Hana shall be entitled to carry over into succeeding years any amount of Sphingosomal Topotecan R&D Expenses that were ineligible for deduction as a result of such limitation. All Sphingosomal Topotecan R&D Expenses shall be subject to audits by INEX using reasonable and customary audit procedures in order to verify the amounts thereof.

3.4 Limitation on Payment Using Common Stock

Notwithstanding anything to the contrary contained in Sections 3.1, 3.2 and 3.3, at Hana's sole option, any milestone or other payment payable by Hana to INEX hereunder by the issuance of shares of Common Stock to INEX may also be made by payment of cash to INEX. The maximum number of shares of Common Stock that Hana may issue to INEX in satisfaction of its obligations hereunder shall not exceed 19.99% of the total number of shares of Common Stock outstanding on the Effective Date of the Definitive Agreements (the "**Maximum Issuance Amount**"). In the event Hana issues to INEX an aggregate number of shares of Common Stock that equals the Maximum Issuance Amount, all amounts payable by Hana thereafter to INEX shall be made in cash.

3.5 Assumption of Milestone and Royalty Obligations

3.5.1 As a condition of the grant of:

(a) licence by INEX to Hana of the Licensed Patents and Technology; and

(b) assignment by INEX to Hana of the Assigned Patents,

Hana shall assume all payment obligations of INEX to BCCA and to MD Anderson, in respect of all license fees, annual fees, milestone payments, royalty payments and any other like payments, including all interest and taxes attributable thereto, arising from Hana or its Licensees' or Sublicensees' use of the Patents within the Hana Field under the BCCA Agreements and the MD Anderson License.

3.5.2 For avoidance of doubt, the obligations of Hana under Section 3.5.1 are in addition to and not in substitution of any other obligations set forth in this Article 3.

3.6 Remuneration Respecting Sublicensees

3.6.1 In the event Hana licenses or sublicenses its rights under Sphingosomal Vincristine before the FDA approves the Sphingosomal Vincristine NDA or a Designated EU State approves a Regulatory Submission that is equivalent to an NDA, INEX shall be entitled to receive [*] of any Licensing/Sublicensing Revenue payable to Hana by such Licensee or Sublicensee. In the event Hana licenses or sublicenses its rights to Sphingosomal Vincristine after the FDA approves the Sphingosomal Vincristine NDA or a Designated EU State approves a Regulatory Submission that is equivalent to an NDA, INEX shall be entitled to receive [*] of any Licensing/Sublicensing Revenue payable to Hana by such Licensee or Sublicensee.

3.6.2 In the event Hana licenses or sublicenses its rights under Sphingosomal Vinorelbine, INEX shall be entitled to share the Licensing/Sublicensing Revenue payable to Hana, if any, as follows:

(a) INEX's share of such Licensing/Sublicensing Revenue shall be [*] of any Licensing/Sublicensing Revenue payable to Hana by such Licensee or Sublicensee during the period commencing on the Effective Date of the Definitive Agreements and ending on the date immediately preceding the date the first patient is enrolled in a Phase II clinical trial of Sphingosomal Vinorelbine;

(b) INEX's share of such Licensing/Sublicensing Revenue shall be reduced to [*] of any Licensing/Sublicensing Revenue payable to Hana by such Licensee or Sublicensee on or after the date the first patient is enrolled in a Phase II clinical trial of Sphingosomal Vinorelbine and ending on the date immediately preceding the earlier to occur of:

(i) the date the first patient is enrolled in a Phase III clinical trial of Sphingosomal Vinorelbine; or

(ii) the acceptance of the NDA or its equivalent Regulatory Submission for Sphingosomal Vinorelbine; and

(c) INEX's share of such Licensing/Sublicensing Revenue shall be reduced to [*] of any Licensing/Sublicensing Revenue payable to Hana by such Licensee or Sublicensee on or after the earlier to occur of:

(i) the date the first patient is enrolled in a Phase III clinical trial of Sphingosomal Vinorelbine; or

(ii) the acceptance of the NDA or its equivalent Regulatory Submission for Sphingosomal Vinorelbine.

3.6.3 In the event Hana licenses or sublicenses its rights under Sphingosomal Topotecan, INEX shall be entitled to share the Licensing/Sublicensing Revenue payable to Hana, if any, as follows:

(a) INEX's share of such Licensing/Sublicensing Revenue shall be [*] of any Licensing/Sublicensing Revenue payable to Hana by such Licensee or Sublicensee during the period commencing on the Effective Date of the Definitive Agreements and ending on the date immediately preceding the date the first patient is enrolled in a Phase II clinical trial of Sphingosomal Topotecan;

(b) INEX's share of such Licensing/Sublicensing Revenue shall be reduced to [*] of any Licensing/Sublicensing Revenue payable to Hana by such Licensee or Sublicensee on or after the date the first patient is enrolled in a Phase II clinical trial of Sphingosomal Topotecan and ending on the date immediately preceding the earlier to occur of:

(i) the date the first patient is enrolled in a Phase III clinical trial of Sphingosomal Topotecan, or

(ii) the acceptance of the NDA or its equivalent Regulatory Submission for Sphingosomal Topotecan.

3.6.4 Notwithstanding anything to the contrary contained in this Section 3.6, Hana shall have no obligation to pay to INEX its respective share of any such Licensing/Sublicensing Revenue unless and until Hana actually receives such Licensing/Sublicensing Revenue from its Licensee or Sublicensee.

3.6.5 Where any Licensing/Sublicensing Revenue payable to, collected or received by Hana or its Affiliates is in Dollars, Hana shall pay to INEX, INEX's share of such Licensing/Sublicensing Revenue within ten (10) days of Hana or its Affiliate's receipt of same. Where any Licensing/Sublicensing Revenue payable to, collected or received by Hana or its Affiliates is derived from a country other than the United States of America, INEX's portion of such Licensing/Sublicensing Revenue shall be converted to the equivalent in Dollars on the same date that Hana converts such Licensing/Sublicensing Revenue to Dollars, in which case the amount of Dollars pursuant to an actual conversion shall be included in the Licensing/Sublicensing Revenue and Hana shall pay to INEX, INEX's share of such Licensing/Sublicensing Revenue within ten (10) days of such conversion. If at any time the Parties agree that it is not practical or possible for Hana to forthwith convert Licensing/Sublicensing Revenue paid in foreign currency to Dollars, or if legal restrictions prevent the conversion of part or all of the Licensing/Sublicensing Revenue to Dollars, Hana shall have the right and option, upon consultation with INEX, to deposit INEX's share of such Licensing/Sublicensing Revenue in local currency, in an account in INEX's sole name in a bank or depository in the country where such Licensing/Sublicensing Revenue is generated. Hana shall make such deposit within ten (10) days of Hana or its Affiliate's receipt of said foreign currency. The last date of

***Confidential Treatment Requested.**

signature of any duly executed License or Sublicense between Hana and a Licensee or Sublicensee shall be deemed to be the date upon which Licensing/Sublicensing Revenue is received by Hana for the purposes of determining the percentage of Licensing/Sublicensing Revenue payable to INEX pursuant to Sections 3.6.1, 3.6.2 and 3.6.3. Hana shall make Commercially Reasonable Efforts to inform INEX in a timely manner of material legislative and economic changes in such country in which such deposit was made so as to enable INEX to more readily access, convert and/or transfer from such country, INEX's share of Licensing/Sublicensing Revenue deposited in such country by Hana.

3.6.6 Notwithstanding Section 3.6.5, if any Licensing/Sublicensing Revenue other than cash is payable to, collected or received by Hana or its Affiliates, Hana may elect to pay to INEX, INEX's share of Licensing/Sublicensing Revenue by way of cash, common stock of Hana, common stock of another corporation acceptable to INEX, or any combination thereof. If Hana elects to pay INEX using the Common Stock of Hana or the common stock of another corporation acceptable to INEX, the following shall apply:

(a) the last date of signature of any duly executed License or Sublicense between Hana and a Licensee or Sublicensee, as the case may be, shall be deemed to be the date upon which Licensing/Sublicensing Revenue is received by Hana for the purposes of determining the percentage of Licensing/Sublicensing Revenue payable to INEX pursuant to Sections 3.6.1, 3.6.2 and 3.6.3;

(b) the value of the economic benefit of the Licensing/Sublicensing Revenue established by a Third Party banker or valuator, measured in Dollars and applied to the percentage entitlement of INEX determined pursuant to Section 3.6.6(a), shall be the assessed value (the "**Assessed Value**") to be used in determining the number of shares of Common Stock of Hana or common stock of another corporation acceptable to INEX payable to INEX pursuant to Section 3.6.6(c); and

(c) Hana will pay INEX using Common Stock of Hana or common stock of another corporation acceptable to INEX as follows:

(i) the Parties will mutually agree on the par value per share of common stock of Hana or of another corporation acceptable to INEX; and

(ii) Hana will issue or assign to INEX as applicable, a number of shares of Common Stock of Hana or common stock of another corporation acceptable to INEX by dividing the Assessed Value by the FMV as of the date upon which Licensing/Sublicensing Revenue was deemed to have been received by Hana pursuant to Section 3.6.6(a).

3.6.7 If Hana elects to pay Licensing/Sublicensing Revenue using a combination of cash and stock as described in this Section, the Assessed Value used to calculate the stock payable shall be reduced by the value of Dollars actually paid to INEX in accordance with Section 3.6.5.

(a) Hana's payment of Licensing/Sublicensing Revenue in the form of stock pursuant to his Section shall be made within ten (10) days of Hana's receipt of same.

3.6.8 Hana's payment of Licensing/Sublicensing Revenue under this Section 3.6 shall be accompanied by an accounting setting out all Licensing/Sublicensing Revenue payable to, collected or received by Hana or its Affiliates, segmented according to Product, Licensee and Sublicensee identified by name, and the last date on which each License and Sublicense was executed.

3.7 Third Party Payments

3.7.1 If, during the term of this Agreement:

(a) Hana and INEX mutually agree that it is necessary to seek a license from any Third Party in the Territory in order to avoid infringement during the exercise of the rights herein granted; or

(b) if as a result of any complaint alleging infringement or violation of any patent or other Intellectual Property Rights is made against Hana, its Affiliate or its Licensee or Sublicensee with respect of the Manufacture, use or sale of a Product in the Hana Field, where such Manufacture, use or sale is encompassed by one or more Patents or Technology, and a settlement, consent judgment or award of Damages determined by a court of competent jurisdiction requires Hana to make payment of Damages to a Third Party in satisfaction of such complaint; or

(c) if an independent, mutually acceptable Third Party patent attorney determines that such a license is required (in accordance with the procedure outlined in this Section 3.7.1);

Hana shall pay all royalties, Damages or other amounts to the Third Party (the "**Offset Amount**"), and subject to Section 3.7.2, Hana's sole remedy from INEX for such payment shall be to offset or credit [*] of the Offset Amount against future payments otherwise due INEX as royalties hereunder. Royalties due INEX shall not, however, be reduced by more than [*] of the applicable royalties set forth in Sections 3.1.2, 3.2.2 and 3.3.2 during any given calendar year. Any uncredited portion of the permitted Offset Amount will be carried forward until the full permitted Offset Amount has been satisfied. The Offset Amount shall not include any punitive award payable to the Third Party (the "**Punitive Amount**"), and thus any Punitive Amount is not to be offset or credited against future royalty payments due INEX. In the event that the Parties are unable to agree on whether any such license is needed or on the terms of such license, the Parties shall submit such dispute to an independent, mutually acceptable Third Party patent attorney for a final and binding determination of such Dispute, and the Parties shall equally share the cost of engaging such patent attorney.

3.7.2 Notwithstanding the provisions of Section 3.7.1, if the license from the Third Party or the royalty or other amount payable to such Third Party gives rise to an indemnification obligation under one or more of the Definitive Agreements in favor of Hana on the part of INEX, then such royalty or other amount shall be paid by INEX as Damages in accordance therewith; provided, however, that Hana agrees to use all reasonable efforts to avoid a finding of willful infringement of such Third Party's rights.

3.8 Compulsory Licenses

In the event that a government agency in any country of the Territory grants or compels INEX, Hana, or either of their respective Affiliates or licensees or sublicensees (including Licensees and Sublicensees) to grant a right to commercialize Product to any Third Party, Hana may, at its sole option, either:

3.8.1 avail itself of the royalty reduction set out in Sections 3.1.3, 3.2.3, or 3.3.3, if applicable; or

3.8.2 have the benefit in such country of the same terms granted to such Third Party to the extent that such terms taken as a whole are more favorable than those of this Agreement.

3.9 Reports and Payment

Hana shall deliver to INEX within thirty (30) days after the end of each Calendar Quarter a written report showing its computation of royalties due under this Agreement upon Net Sales by Hana and its Affiliates and its Licensees and Sublicensees during such Calendar Quarter, and setting out:

3.9.1 all Net Sales segmented in each such report according to sales by Hana, each Affiliate and each Licensee and Sublicensee, as well as on a country-by-country basis, and month-by-month basis;

3.9.2 deductions from gross revenues by the categories for same set out in the definition of Net Sales; and

3.9.3 the rates of exchange used to convert such royalties to Dollars from the currency in which such sales were made. For the purposes hereof, such conversion calculations are to be made on a monthly basis and the rates of exchange to be used for converting royalties hereunder to Dollars shall be those in effect for the purchase of Dollars as certified by the noon buying rate of the Federal Reserve Bank of New York on the first Business Day of the quarter with respect to which the payment is due.

Hana, simultaneously with the delivery of each such report, shall tender payment in Dollars of all royalties shown to be due thereon.

3.10 Withholding Taxes

Any tax which Hana is required to pay or withhold with respect of license fees, royalty payments and milestone payments to be made to INEX hereunder shall be deducted from the amount otherwise due provided that, in regard to any such deduction, Hana shall give INEX such assistance, which shall include the provision of such documentation as may be required by the US Internal Revenue Service and other revenue services, as may reasonably be necessary to enable INEX to evidence such payment, claim exemption therefrom or obtain a repayment thereof or a reduction thereof and shall upon request provide such additional documentation from time to time as is needed to confirm the payment of tax. The Parties agree that:

3.10.1 Hana shall be deemed to be the sole payer of payments owed to INEX under this Agreement and shall not have the right to substitute any domestic or foreign Affiliate for that purpose, and

3.10.2 in the event that Hana takes any action, including, without limitation, the assignment of this Agreement, any licensing or sublicensing permitted hereby, any change of jurisdiction of residence or any reorganization or change in its business or structure so that, after such action, the withholding tax on the payments under this Agreement would be substantially more than those in effect on the Effective Date of the Definitive Agreements, Hana shall either:

(a) with the co-operation of INEX, arrange its affairs so that the withholding tax consequences to INEX are not materially worse than those in effect prior to such action; or

(b) gross up the payments otherwise owed to INEX so that INEX receives net of withholding taxes the amount INEX would have received but for such action.

3.11 Foreign Payments

Where payments are due INEX hereunder for sales of a Product in a country in the Territory where, by reason of currency regulations or taxes of any kind, it is impossible or illegal for Hana or any Affiliates or Licensees or Sublicensees, as the case may be, to transfer such payments to INEX, such payments shall be deposited in whatever currency is allowable by the Person not able to make the transfer for the benefit or credit of INEX in an accredited bank in that country in the Territory that is reasonably acceptable to INEX.

3.12 Method of Payment

Hana shall make all payments due under this Agreement in Dollars by wire transfer of funds via the Federal Reserve Wire Transfer System to INEX's account as designated in writing by INEX to Hana.

3.13 Late Payments

Any payment by Hana or INEX that is not paid on or before the date such payment is due under this Agreement shall bear interest at a rate equal to the lesser of:

3.13.1 the Prime Rate(s) during the period of late payment plus [*] interest compounded monthly, or

3.13.2 the maximum rate permitted by law;

calculated based on the number of days that payment is delinquent until full payment has been made.

3.14 Records

Hana shall keep, and shall require all Affiliates, Licensee and Sublicensees to keep, full, true and accurate books of accounts and other records containing all information and data which may be necessary to ascertain and verify the royalties payable hereunder for a period of three (3) years after the date such royalties became payable.

3.15 Audits

During the Term, after the first commercial sale of Product and for a period of one (1) year following termination of this Agreement, INEX shall have the right from time to time (not to exceed once during

each calendar year) to have either its internal financial audit personnel or an independent firm of accountants (i.e., a certified public accountant or like Person reasonably acceptable to Hana) inspect such books, records and supporting data of Hana, provided such audit shall not cover such records for more than the preceding five years. Such independent firm of accountants shall perform these audits at INEX's expense upon reasonable prior notice and during Hana's regular business hours, and shall agree as a condition to such audit to maintain the confidentiality of all information of Hana disclosed or observed in connection with such audit and to disclose to INEX only whether Hana has complied with its obligations under this Agreement with respect to the accuracy of the royalty statements, payments and Permitted Deductions. If the result of such audit demonstrates an underpayment by Hana to INEX of [*] or more, Hana shall pay for the reasonable costs of such audit, and shall immediately pay to INEX the underpayment together with interest thereon at the Royal Bank of Canada prime lending rate prevailing at the time, plus [*].

Article 4 DEVELOPMENT OBLIGATIONS

4.1 Development Plans

4.1.1 The Parties acknowledge having executed a detailed Development Plan for the Development of each Product, which describes the specific Clinical Activities, Regulatory Activities, Technical Transfer activities, and Manufacturing activities to be performed in the Territory for a twelve (12) month period following the Effective Date of the Definitive Agreements.

4.1.2 The Development Plan will be reviewed from time to time as the Parties reasonably determine to be necessary or useful.

4.1.3 The Development Plan shall be incorporated herein by reference and all Development undertaken thereunder shall be conducted by Hana in compliance with Regulatory Requirements.

4.2 Development Efforts

4.2.1 Hana shall use Commercially Reasonable Efforts to Develop each Product in the Territory (including carrying out its responsibilities under the Development Plan) to:

(a) conduct or cause to be conducted the necessary and appropriate clinical trials as necessary to obtain and maintain Regulatory Approvals for each Product; and

(b) prepare, file and prosecute or cause to be prepared, filed and prosecuted the Regulatory Submission for each Product.

4.2.2 Hana will provide INEX with written reports to keep INEX fully informed of the progress of the Development of each Product as follows:

(a) at the close of each Calendar Quarter during the first twenty-four (24) months following the Effective Date of the Definitive Agreements; and

(b) on or before June 31 and December 31 of each and every calendar year thereafter.

4.3 Transition Committees

The Parties will establish working committees to actively manage the transition by INEX to Hana of the responsibilities for Development of each Product during the initial twelve (12) months following the Effective Date of the Definitive Agreements. Such working committees will conduct periodic planning and review meetings as well as ad hoc meetings as necessary. The primary method of meeting will be teleconference. Responsibilities of the working committees may include overseeing the planning and monitoring of the clinical and regulatory Development process and Technical Transfer process. All such meetings of the working committees shall be conducted at Hana's sole cost and expense.

4.4 Subcontractors

Hana may subcontract to any of its Representatives any of its obligations in respect of the Development with the consent of INEX, such consent not to be unreasonably withheld or delayed; provided however, that Hana shall be responsible for the performance of its Representatives and shall remain fully responsible and obligated to INEX for all activities undertaken by its Representatives.

Article 5 COMMERCIALIZATION OBLIGATIONS

5.1 Regulatory Compliance

All Commercialization activities in respect of each Product shall be conducted by Hana in compliance with Regulatory Requirements.

5.2 Marqibo Trade-mark

5.2.1 The Parties acknowledge that INEX has taken all necessary, and has caused its wholly owned Affiliate to take all steps necessary to assign to Hana all applications for trade-mark and all registered trade-marks for Marqibo in all jurisdictions within the Territory.

5.2.2 Except as provided herein, Hana at its sole cost and expense, shall be responsible for the selection, registration and maintenance of all other trademarks which it employs in connection with each Product in the Territory and shall own and control such trademarks during the term of this Agreement and following its termination or expiration.

5.3 Labeling and Patent Marking

The Product shall be packaged by Hana and labeled in a manner consistent with the requirements of the Regulatory Authorities in the country in which it will be sold, and where legally permissible, shall identify any applicable Patents consistent with any patent marking requirements.

5.4 Commercialization Efforts

In each country in the Territory in which a Product has received Regulatory Approval, Hana, directly or through its permitted Representatives, shall use Commercially Reasonable Efforts to Commercialize the Product.

5.5 Consequence of No Sales

5.5.1 In addition to the terms of Section 5.4, Hana shall be deemed to have breached its obligation to use Commercially Reasonable Efforts in conducting marketing of a Product

in any country in the Major Markets if, for a continuous period of one hundred and eighty (180) days at any time following launch of commercial sales of the Product in any such country in the Major Markets, no sales of the Product are made in the ordinary course of business in such country by Hana, an Affiliate, a Licensee or a Sublicensee, unless:

(a) The Parties mutually agree it is to their mutual benefit to delay commercial sales of Product in such country; or

(b) Hana is prevented, restricted, interfered with or delayed in making such sales by reason of a cause beyond Hana's reasonable control and can demonstrate same to INEX;

in which event such period shall be extended by (i) the period of delay mutually agreed upon or (ii) by the period of Hana's inability, provided that Hana uses its Commercially Reasonable Efforts to avoid or remove the cause of such inability.

5.5.2 If Hana breaches its obligation set forth in Section 5.5.1:

(a) INEX shall be entitled to terminate all rights granted to Hana in the Definitive Agreements in respect of each such Product in such country in the Major Markets by written notice to Hana in the event that Hana is in default of its obligations under Section 5.5.1 and fails to remedy such default within sixty (60) days after notice thereof by INEX;

(b) All Licenses and Sublicenses granted by Hana in respect of such Product in such country in the Major Markets shall forthwith terminate upon the effective date of termination in Section 5.5.2(a); and

(c) Hana shall continue to be bound by and shall comply with Sections 14.6, 14.8, and any other Sections which are intended to survive any termination of rights under this Agreement.

5.6 Reports

Hana shall report to INEX on the status and progress of Hana's efforts under this Section 5.6 as follows:

5.6.1 Hana shall deliver to INEX within thirty (30) days after the end of each Calendar Quarter reports setting forth in general terms, reasonably sufficient for evaluation of the diligence obligations contained herein, the efforts Hana has made to Commercialize the Product during the year, including any significant adverse developments, and any plans for or occurrences of any commercial sales of the Product in any jurisdiction and a summary of the efforts it intends to make in the upcoming year(s) on these matters. Hana shall consider any INEX input and comments related to Hana's plan for the upcoming year(s), provided that it is understood that Hana shall have final decision making responsibility for such plans.

5.6.2 To the extent that such could not be appropriately communicated to INEX in accordance with Section 5.6.1, Hana shall keep INEX informed in a timely manner of significant developments in Hana's (and its Affiliates', Licensees' and Sublicensees', as the case may be) progress of its efforts to Commercialize the Product, including without limitation, any significant adverse developments, and any plans for or occurrences of any commercial sales of the Product in any jurisdiction.

Article 6 PRODUCT SAFETY AND REGULATORY COMPLIANCE

6.1 Regulatory Responsibilities

6.1.1 Hana shall use its Commercially Reasonable Efforts to ensure that none of its Representatives who participate in any Development activities:

(a) is or has been suspended, debarred or disqualified by the FDA;

(b) has been convicted of any offence that would form the basis for any suspension, disqualification or debarment; or

(c) is or has been subject to any proceedings for the suspension, disqualification or debarment.

6.1.2 Upon the re-activation and/or transfer by INEX to Hana of the NDA or IND, as the case may be, in respect of each Product, Hana shall be responsible for using Commercially Reasonable Efforts to maintain and fulfill all Regulatory Requirements with respect to such Product that are imposed upon Hana as the holder of Regulatory Submissions and Regulatory Approvals.

6.1.3 Hana and/or its Representatives' Manufacturing, shipping and distribution of Material for clinical and commercial use shall be done in accordance with applicable specifications and Regulatory Requirements. Hana shall maintain and shall require its Representatives who receive, handle, store, ship or distribute Product to maintain a record retention policy consistent with cGMP and Regulatory Requirements, and to maintain records with sufficient detail to facilitate traceability in the event of recalls or voluntary withdrawals of Product.

6.1.4 In respect of each Product, Hana will use Commercially Reasonable Efforts to make such changes as reasonably necessary to the master production record, specifications, procedures, processes, Materials, facilities, equipment or any matter utilized by Hana under this Agreement or contained or reference in documents submitted to Regulatory Authorities to meet new Regulatory Requirements and guidelines in the Territory.

6.2 Pharmacovigilance

6.2.1 Upon the transfer, by INEX to Hana of the INDs for Sphingosomal Vinorelbine and Sphingosomal Topotecan, and the NDA for Sphingosomal Vincristine, Hana shall be responsible for, in respect of each such Product, performing Pharmacovigilance in respect of all pre-Regulatory Approval Clinical Activities and all post-Regulatory Approval Product safety monitoring in accordance with Regulatory Requirements, in addition to all other Regulatory Activities for which Hana is responsible.

6.2.2 For as long as Material sourced, Manufactured or quality released by INEX remains available for use in approved clinical trials, Hana shall:

(a) inform INEX within five (5) Business Days of any complaint received or regulatory action taken in respect of such Material and shall seek INEX's opinion before passing judgment on the quality of such Material to any Third Party; and

(b) provide INEX with a copy(ies) of all documentation provided to and received from Regulatory Authorities in respect of such complaint or Adverse Drug Event, within one (1) Business Day of sending or receiving same.

6.3 Recalls and Product Withdrawals

6.3.1 If either Party is required or requested by any Regulatory Authority to recall or withdraw any Clinical Trial Material for any reason, or should either Party decide voluntarily to withdraw any Clinical Trial Material:

(a) the Party in whose name the applicable IND file is registered will be responsible for coordinating such recall or product withdrawal;

(b) Hana shall pay the costs and expenses of such recall or product withdrawal, subject to recovery of some or all of same in accordance with the terms of Section 6.3.2;

(c) Unless INEX is liable for such costs and expenses in accordance with the terms of Section 6.3.2, Hana will remain responsible to INEX for payment of all services in respect of the Manufacture and supply of Material; and

(d) Both Parties will cooperate fully with one another in connection with any such recall or product withdrawal.

6.3.2 If a recall or product withdrawal is due to INEX's negligence, willful misconduct or breach of this Agreement or of the Service Agreement, INEX will reimburse Hana for all of Hana's reasonable costs and expenses actually incurred by Hana in connection with the recall or product withdrawal, including any Service fees and expenses associated with the supply of the Product recalled or withdrawn, costs of retrieving Product already delivered to customers, costs and expenses Hana is required to pay for notification, shipping and handling charges, destruction or return of the defective Product or otherwise and such other reasonable costs as may be reasonably related to the recall or product withdrawal.

6.3.3 If the Parties are unable to agree on whether or not a recall or product withdrawal is due to INEX's negligence, willful misconduct or breach of this Agreement, either Party may refer the matter for resolution pursuant to Article 13.

6.3.4 Notwithstanding any expiration or early termination of this Agreement, the provisions of Sections 6.2 and 6.3 shall continue to apply for as long as any Product containing Material that was sourced, Manufactured or quality released by INEX remains available for use in approved clinical trials.

Article 7 INTELLECTUAL PROPERTY RIGHTS

7.1 Injunctive Relief

Each Party acknowledges the competitive and technical value and the sensitive and confidential nature of the Confidential Information, and agrees that monetary Damages alone will be inadequate to protect the other Party's interests against any actual or threatened material breach of Article 10 of this Agreement. Accordingly, each Party consents to the granting of specific performance and injunctive or other equitable or other relief to the other Party in respect of any actual or threatened breach of Article 10 of this Agreement, without proof of actual Damages. These specific remedies are in addition to any other remedy to which the Parties may be entitled at law or in equity.

7.2 INEX Title

The Parties hereby acknowledge and agree that to the best of the knowledge of INEX, INEX owns any and all right, title and interest in and to the Patents and Technology subject only to:

7.2.1 the assignments granted to Hana under this Agreement;

7.2.2 the license granted to Hana under this Agreement;

7.2.3 the rights of the BCCA (including royalty obligations) under the BCCA Agreements, in respect of the BCCA Patents; and

7.2.4 the rights of MD Anderson (including annual fee and royalty obligations) under the MD Anderson License in respect of the MD Anderson Patents.

7.3 Ownership of Pre-existing Intellectual Property Rights

The Parties hereby acknowledge and agree that, except as otherwise provided in, and subject to the terms and conditions of the Definitive Agreements and this Agreement, any Intellectual Property Rights owned by either Party and by MD Anderson prior to the Effective Date of the Definitive Agreement shall remain owned by such Party and by MD Anderson.

7.4 Ownership of Future Intellectual Property Rights

7.4.1 Subject to the Non-Competition Terms and any Notice of Abandonment that INEX or Hana may issue in respect of any Intellectual Property Rights related to the Products, all right, title and interest in and to any and all Intellectual Property Rights that arise after the effective date of this Agreement and are related to the Products shall be owned as follows:

(a) MD Anderson and Hana shall be the joint owners of any patents and patent applications filed after the effective date of this Agreement that claim priority to the Sarris Patents;

(b) Hana shall be the exclusive owner of any patents and patent applications filed after the effective date of this Agreement that claim priority to the Thomas Patents; and

(c) INEX shall be the exclusive owner of any patents and patent applications filed after the Effective Date of the Definitive Agreements that claim priority to the Licensed Patents.

regardless of which Person(s) created or invented the same.

(d) All Intellectual Property Rights of INEX existing before the effective date of this Agreement and all Intellectual Property Rights developed by employees or agents of INEX or its Affiliate solely or joint with a Third Party after the effective date of this Agreement shall be and will remain the exclusive property of INEX, and subject to the grants of Sections 2.1 and 2.2. Notwithstanding any provisions to the contrary, this Agreement does not grant to Hana any right, title, or interest in or to any part or whole of the DHSM Patents referenced in Section 6.10 of the Transaction Agreement, for which an option to license has been granted to Hana;

(e) Subject to Section 2.2, 7.4.1(a), 7.4.1(b), 7.4.1(c) and 7.4.1(d), all Intellectual Property Rights conceived and reduced to practice solely by employees or agents of Hana or its Affiliate relating to the Products shall be and remain the exclusive property of Hana and subject to the license grant of Section 2.2;

(f) Subject to Sections 7.4.1(a), 7.4.1(b), 7.4.1(c) and 7.4.1(d), any Intellectual Property Rights developed jointly by one or more employees or agents of each of INEX and Hana or their Affiliates relating to the Products shall be owned exclusively by Hana, and subject to the license grant of Section 2.2; and

(g) Each Party shall ensure that its Representatives who perform any portion of its obligations under this Agreement have entered into written agreements with such Party whereby such Representatives assign to such Party all ownership rights in any Intellectual Property Rights made or developed by such Representatives in the course of such work for such Party.

7.4.2 Each Party further agrees to execute, acknowledge and deliver to the requesting Party such other instruments of conveyance and transfer and will take such other actions and execute, acknowledge and deliver such other documents, certifications and further assurances as the requesting Party may reasonably require in order to: (i) vest more effectively in the requesting Party any rights transferred hereby, including but not limited to, obtaining registration or regulatory approval of any assets acquired or rights granted hereunder or derivative works thereof; or (ii) better enable the requesting Party to exercise the rights acquired by such Party hereunder. Each of the Parties hereto will cooperate with the other and execute and deliver to the other Party such other instruments and documents and take such other actions as may be reasonably requested from time to time by any other Party as necessary to carry out, evidence and confirm the intended purposes of this Agreement.

7.4.3 Hana agrees that in negotiating any joint venture, collaborative research, development, Commercialization or other agreement(s) it may have with any Person other than INEX under which any Intellectual Property Rights related to the Products may arise after the effective date of this Agreement, Hana shall include in such agreements, provisions that provide for the assignment or license, as the case may be, of such Intellectual Property Rights by such Person(s) and their Representatives to INEX in accordance with Sections 7.4.1(a), 7.4.1(b), 7.4.1(c) and 7.4.1(d).

7.5 BCCA Patents

7.5.1 The Parties acknowledge that INEX has made Commercially Reasonable Efforts to obtain Aradigm's consent to the assignment by INEX to Hana of the BCCA Patents and has discharged its obligation under Section 6.7(a) of the Transaction Agreement. If Aradigm indicates its willingness to consent to such assignment and if Aradigm and the Parties are able to agree upon the terms and conditions for such assignment, the Parties will amend this Agreement and enter into such other legal documents reasonably necessary to support the assignment of BCCA Patents to Hana.

7.5.2 Notwithstanding any expiration or termination of the Service Agreement dated April 3, 2007 between the Parties and notwithstanding that the assignment of BCCA Patents do not constitute IP Services as defined herein, Hana shall reimburse INEX's out of pocket expenses, at cost, and INEX's internal costs at the FTE Rate, for all activities agreed between Hana and INEX to facilitate the assignment of the BCCA Patents to Hana.

Article 8 PATENT PROSECUTION AND MAINTENANCE

8.1 IP Committee

The Parties will establish an IP committee (the "**IP Committee**") comprised of an equal number of Representatives of each Party to coordinate patent prosecution and maintenance of the Patents. The IP Committee will conduct planning meetings as frequently as the Parties deem necessary. The primary method of meeting will be teleconference. The cost of conducting IP Committee meetings shall be allocated between the Parties pro-rata based on the combined average of each Party's percentages of responsibilities set forth in each of the patent schedules attached to the Definitive Agreements.

8.2 Responsibility for Patent Prosecution and Maintenance

8.2.1 In respect of all patents and patent applications that are listed in **Exhibits 1.1.9 and 1.1.54**, Hana shall be responsible for:

(a) the continued prosecution of any such pending patent applications to the issuance of the resulting patents;

(b) the maintenance of all such issued Patents; and

(c) the filing of additional patent applications for such Patents in any jurisdiction world-wide, including, without limitation, any continuations, continuations-in-part, divisionals, patents of addition, reissues, re-examinations and extensions of or substitutes therefore, which additional patent applications (and resulting patents) shall be automatically included in the Patents, and the provision of this Article 8 shall apply thereto.

All reasonable costs and expenses arising from Hana's patent prosecution and maintenance shall be allocated between the Parties pro-rata based on the percentages set forth in **Exhibits 1.1.9 and 1.1.54**.

8.2.2 Notwithstanding the allocation of patent prosecution and maintenance costs set forth in this Section 8.2, if Hana requests IP Services from INEX in respect of any activities which would otherwise have been performed by Hana pursuant to Section 8.2.1, INEX shall be entitled to payment of IP Services in accordance with the provisions of Section 8.6 and the Service Agreement.

8.2.3 Hana shall be responsible for the prosecution of the pending patent applications included in the Patents in accordance with the responsibilities set forth in Section 8.2.1 and cost allocations set forth in **Exhibits 1.1.9 and 1.1.54**. The cost allocations set out in **Exhibits 1.1.9 and 1.1.54** shall be subject to review and amendment by mutual agreement of the Parties on an annual basis on or before December 31 of each year during the Term. In the event that the parties cannot reach agreement on or before December 31, the matter will be resolved by arbitration in accordance with Article 13.

8.2.4 Hana shall diligently pursue the prosecution of all patent applications in accordance with the responsibilities set forth in Section 8.2.1 and cost allocations set forth in **Exhibits 1.1.9 and 1.1.54** to issuance of the resulting patents and shall not abandon, withdraw or discontinue prosecution of any pending patent applications included in the Patents without first consulting with and obtaining the prior written consent of INEX, which consent shall not be withheld if the Parties agree that the issuance of a patent from such application is unlikely.

8.2.5 At the request of INEX, Hana shall diligently pursue and prosecute additional patent filings relating to the Patents and Technology in any jurisdiction worldwide in accordance with the responsibilities set forth in Section 8.2.1 and cost allocations set forth in **Exhibits 1.1.9 and 1.1.54**.

8.2.6 Either Party may request the other Party to file new patent applications, divisionals, provisionals, non-provisionals, continuations and continuations-in-part to ensure that Valid Claims on Patents remain pending. If the Party having primary responsibility for patent prosecution and maintenance decides not to meet such request, the requesting Party shall be entitled to, at the requesting Party's election:

(a) refer the matter to arbitration pursuant to Article 13; or

(b) perform such filings and take such actions as it deems necessary and at its sole cost.

If the requesting Party elects not to refer the matter to arbitration, the other Party shall, at the sole cost of the requesting Party:

(c) cooperate with the requesting Party to perform such filings and take such actions as may be required by the requesting Party if the requesting Party does not have standing to perform such filings and take such actions; or

(d) grant the requesting Party a power-of-attorney to perform such filings and take such actions as may be required by the requesting Party;

to ensure that Valid Claims to Patents remain pending.

8.3 Consultation and Reporting

8.3.1 On a timely basis, Hana will consult with or instruct its patent agent(s) and/or patent counsel(s) to consult with INEX, and INEX will consult with or instruct its patent agent(s) and/or patent counsel(s) to consult with Hana, regarding the claims and any proposed amendments thereto of:

(a) any Patents pending and issued; and

(b) any additional patent applications to be included in the Patents;

to ensure that the scope of patent coverage is adequate for the uses of the Patents contemplated by each of Hana and INEX.

8.3.2 On a timely basis, Hana shall provide INEX with copies of the material correspondence and documents which Hana sends or receives in connection with the application, prosecution and maintenance of Patents.

8.3.3 Provided a Party has provided timely notice and copies of material correspondence to the other Party of any matter requiring any action relating to any application, prosecution or maintenance of the Patents, the Party providing timely notice shall not be found to be in breach of its obligations under this Article 8 if the other Party, its patent agent(s) and/or patent counsel(s) fail to consult with or provide written instructions to the Party providing timely notice, at least five (5) Business Days prior to any deadline including an extendible deadline, in respect of any action required for the application, prosecution or maintenance of the Patents.

8.4 Reports

On a quarterly basis, on or before the last day of each Calendar Quarter during the Term, each Party shall advise the other Party in writing of the material actions which each Party has undertaken concerning the application, prosecution and maintenance of the Patents.

8.5 Abandonment, Withdrawal or Discontinuance

8.5.1 Notwithstanding each Party's obligation under Section 8.2, should either Party decide to:

(a) discontinue pursuing one or more patent applications, patent protection or patent maintenance for one or more patents in relation to the Patents or any continuation, continuation-in-part, divisional, reissue, re-examination or extension thereof for any reason;

(b) not pursue patent protection in relation to the Patents in any specific jurisdiction for any reason; or

(c) discontinue or not pursue patent protection in relation to any further process, use or Product arising out of the Patents in any jurisdiction for any reason;

then such Party (the "**Abandoning Party**") shall provide the other Party (the "**Non-Abandoning Party**") with prior written notice of its decision to discontinue or not to pursue one or more patent applications, patent protection, or patent maintenance, in relation to the Patents (the "**Notice of Abandonment**"), and to provide sufficient detail to the other Party in sufficient time, such time not to be less than thirty (30) Business Days, to enable the other Party to file a patent application or continue pursuing an existing patent application in accordance with Section 8.5.5 or 8.5.7.

8.5.2 The Notice of Abandonment to be given by the Abandoning Party pursuant to Section 8.5.1 shall clearly identify the patent applications, patent protection, and/or patent maintenance for the Patents to be abandoned.

8.5.3 Each of the Parties agrees that notwithstanding any provision to the contrary in this Agreement, effective upon the date of the Non-Abandoning Party's receipt of the Notice of Abandonment, the Abandoning Party shall lose all rights under:

(a) the patent(s) and patent application(s) to which such Party's Notice of Abandonment applies; and

(b) any continuation, continuation-in-part, divisional, reissue, re-examination, or extension of or to the foregoing;

(any one of the above being the "**Discontinued Patent**").

8.5.4 If Hana gives Notice of Abandonment to INEX pursuant to Sections 8.5.1 and 8.5.2 in respect of:

(a) one or more of the Licensed Patents, this license shall be terminated with respect solely to such Discontinued Patent(s), and Hana shall forfeit the right to any and all uses of the Discontinued Patent(s) and Technology claimed in such Discontinued Patent(s). **Exhibits 1.1.54** and **1.1.103** will be deemed to be amended to exclude such Discontinued Patent and Technology claimed in such Discontinued Patent from the grant of license contained herein

(b) one or more of the Assigned Patents and INEX elects to continue to pursue any patent applications, patent protection and/or patent maintenance in relation to such Discontinued Patent in accordance with Section 8.5.5, Hana shall forfeit the right to any and all uses of such Discontinued Patent(s) and of the inventions and Technology claimed in such Discontinued Patent(s), and assign such Discontinued Patent(s) to INEX.

8.5.5 If Hana has given Notice of Abandonment to INEX pursuant to Sections 8.5.1 and 8.5.2, and INEX wishes to continue to pursue any patent applications, patent protection and/or patent maintenance in relation to Hana's Discontinued Patent:

(a) within ten (10) Business Days of INEX's receipt of Hana's Notice of Abandonment, INEX shall provide Hana with written notice of INEX's intention to pursue any patent applications, patent protection and/or patent maintenance in relation to Hana's Discontinued Patent;

(b) Hana shall relinquish patent prosecution and maintenance of Hana's Discontinued Patent and INEX shall assume patent prosecution and maintenance of same, at INEX's sole cost and expense; and

(c) notwithstanding the Non-Competition Terms, INEX shall have the exclusive right to use Hana's Discontinued Patent and inventions claimed in Hana's Discontinued Patent, in the Hana Field.

8.5.6 If INEX gives Notice of Abandonment to Hana pursuant to Sections 8.5.1 and 8.5.2 in respect of:

(a) one or more of the Licensed Patents, and Hana elects to continue to pursue any patent applications, patent protection and/or patent maintenance in relation to such Discontinued Patent in accordance with Section 8.5.7, INEX shall forfeit the right to any and all uses of the Discontinued Patent(s) and inventions claimed in any Discontinued Patent(s), and shall assign such Discontinued Patent(s) to Hana.

(b) one or more of the Assigned Patents, Hana's grant of a license to INEX shall be terminated with respect solely to the Discontinued Patent(s), and INEX shall forfeit the right to any and all uses of the Discontinued Patent(s) and Technology claimed in such Discontinued Patent(s). **Exhibits 1.1.9** and **1.1.103** will be deemed to be amended to exclude such Discontinued Patent(s) and Technology claimed in such Discontinued Patent(s) from the grant of the license to INEX contained herein.

8.5.7 If INEX has given Notice of Abandonment to Hana pursuant to Sections 8.5.1 and 8.5.2 and Hana wishes to continue to pursue any patent applications, patent protection and/or patent maintenance in relation to INEX's Discontinued Patent:

(a) within ten (10) Business Days of Hana's receipt of INEX's Notice of Abandonment, Hana shall provide INEX with written notice of Hana's intention to pursue any patent applications, patent protection and/or patent maintenance in relation to INEX's Discontinued Patent, at Hana's sole cost and expense; and

(b) notwithstanding the Non-Competition Terms, Hana shall have the exclusive right to use INEX's Discontinued Patent and the inventions claimed in INEX's Discontinued Patent, outside the Hana Field.

8.5.8 Either Party may request the other Party to perform such other Party's responsibilities set forth in Sections 8.2.1 or 8.2.2, as the case may be, in respect of a particular patent or patent application. If the Party bearing such responsibility is unwilling or unable to perform its responsibility in a timely manner, the Party requesting performance in respect of such patent or patent application may, with three (3) days prior written notice, perform the particular activity(ies) requested in respect of such patent or patent application. The Party unwilling or unable to perform its responsibility shall pay all reasonable costs and out-of-pocket expenses actually incurred by the requesting Party to perform the particular activity(ies) requested, within thirty (30) days of the non-performing Party's receipt of the performing Party's invoice for such costs and out-of-pocket expenses. For the purposes of this Section 8.5.8, reasonable costs shall be calculated using the FTE Rate set forth in the Service Agreement, regardless of the Party performing the activity(ies), and notwithstanding any termination of the Service Agreement.

8.6 Costs of Patent Application, Prosecution and Maintenance

8.6.1 Commencing from the date that an Abandoning Party has lost all entitlement to a Discontinued Patent, such Abandoning Party shall not be required to share in any costs (and services fees if INEX is the Abandoning Party) associated with the application, prosecution, and/or maintenance of any Patents in the Discontinued License Patent.

8.6.2 Subject to Section 8.6.1, and notwithstanding any termination of the Service Agreement, for as long as INEX continues to perform at Hana's request, the activities required for intellectual property portfolio management and all associated activities including, without limitation, patent application, filing, prosecution and maintenance, and payment of all government and legal fees required to apply for, prosecute and maintain the Patents described in Section 8.2.1 (the "**IP Services**"), Hana, its successors, assigns or any Person(s) who acquires any interest in any of the Patents and Technology will jointly and severally be responsible for paying INEX:

(a) [*] of all reasonable out-of-pocket costs, including, without limitation, filing fees, fees for external counsel(s), patent agent(s), contractors, travel, and lodging expenses incurred by INEX to provide IP Services; and

(b) [*] of the personnel costs incurred by INEX, calculated at INEX's FTE Rate, pro rated to reflect the actual time employees, contractors or consultants of INEX spend providing IP Services; provided however, that on each anniversary of the Effective Date of the Definitive Agreements, the FTE Rate shall be adjusted by a percentage equal to the percentage change in the Consumer Price Index (All Items) for the province of British Columbia for the twelve (12) month period ending with December of the calendar year immediately preceding such anniversary date; and

(c) [*] of all out-of-pocket costs and [*] of all personnel costs incurred by INEX to provide IP Services in respect of any Discontinued Patent which Hana has elected to continue pursuing patent protection, pursuant to Section 8.5.5.

8.6.3 INEX will invoice Hana monthly for all costs set forth in Section 8.6.2, plus all applicable taxes thereon, on or before the 30th day after the end of the month in which the IP Services were rendered and/or expenses incurred; provided however, that any out-of-pocket costs incurred which are not captured in any invoice may be captured in subsequent invoices. Hana will pay all amounts due and payable hereunder in full in Dollars to INEX within thirty (30) days of the date of each such invoice, by cheque or wire transfer to the account specified by INEX.

8.6.4 Notwithstanding Section 8.6.3, during the Term, INEX shall not combine Hana's payment obligations for IP Services under the Service Agreement together with Hana's payment obligations under this Section 8.6 to recover from Hana, its successors, assigns or any Person(s) who acquires any interest in any of the Patents and Technology, more than the total monthly costs set forth in Section 8.6.2 in any given month.

8.6.5 Hana shall be responsible for prosecuting and maintaining the MD Anderson Patents and for payment of all costs associated therewith. If INEX exercises its rights under Section 2.2.1 to either the Sarris Patents and/or the Thomas Patents, INEX shall be responsible for ten percent (10%) of the cost of Hana's prosecution and maintenance of the Sarris Patents and/or the Thomas Patents, as applicable.

8.7 Late Payments

Any payment due under Section 8.6 that is not paid on or before the date such payment is due shall bear interest at a rate equal to the lesser of:

8.7.1 the Prime Rate(s) during the period of late payment plus [*] interest compounded monthly; or

8.7.2 the maximum rate permitted by law;

calculated based on the number of days that payment is delinquent until full payment has been made.

8.8 Co-operation

Each Party agrees to obtain the co-operation of its Representatives in the assignment of any Intellectual Property Rights addressed by this Agreement, as well as in the preparation, filing, and prosecution of any patent application or registrations which may arise under this Agreement. Such co-operation shall include:

8.8.1 making available to the other Party or such other Party's Representatives whom the other Party in its reasonable judgment deems necessary in order to assist it in obtaining patent protection of the Patents; and

8.8.2 executing and causing its Representatives to execute all legal documents reasonably necessary to support the assignment, filing, prosecution and maintenance of said Patents.

Article 9 INFRINGEMENT PROCEEDINGS

9.1 Limits

Except as expressly set out in this Agreement, nothing in this Agreement shall be construed as:

9.1.1 an obligation by Hana or INEX to bring or prosecute or defend actions or suits against Third Parties for infringement of patents, copyrights, trade-marks, industrial designs or other intellectual property or contractual rights; or

9.1.2 the conferring by Hana or INEX of the right to use in advertising or publicity the name of Hana or INEX or their respective trademarks.

9.2 Conduct of Infringement Proceedings

Notwithstanding Section 9.1, in the event of:

9.2.1 an alleged infringement by a Third Party of the Patents or Technology or of any right with respect to the Patents or Technology by the manufacture, sale, services or use of products derived from the Patents or Technology in the Hana Field; or

9.2.2 any complaint by Hana alleging any infringement by a Third Party with respect to the Patents or Technology or to any right with respect to the Patents or Technology by the manufacture, sale, service or use of products derived from the Patents or Technology in the Hana Field;

the following shall apply:

9.2.3 Hana shall have the first right, in its sole discretion, and at its sole expense, to prosecute or defend such litigation;

9.2.4 if Hana does not take steps to prosecute or defend such litigation within thirty (30) days after receipt of notice thereof, INEX may take such legally permissible action as it deems necessary or appropriate to prosecute such litigation or defend such litigation at its own expense, but shall not be obligated to do so;

9.2.5 the Party prosecuting or defending such litigation (in this Article, the "**Litigating Party**") shall have the right to control such litigation and shall bear all legal expenses (including court costs and legal fees), including settlement thereof provided however that no settlement or consent judgment or other voluntary final disposition of any suit defended or action brought by a Party pursuant to this Section 9.2 may be entered into without the consent of the other Party if such settlement would require the other Party to be subject to an injunction or to make a monetary payment or would restrict the claims in or admit any invalidity of any Patents or significantly adversely affect the rights of the other Party to this Agreement (the "**Non-litigating Party**"). By way of example and not by way of limitation, there shall be no right of the Litigating Party to stipulate or admit to the invalidity or unenforceability of any Patents. Before any action is taken by the Litigating Party which could abridge the rights of the Non-litigating Party hereunder, the Parties agree to, in good faith, consult with a goal of adopting a mutually satisfactory position;

9.2.6 the Non-litigating Party agrees to co-operate reasonably in any such litigation to the extent of executing all necessary documents, supplying essential documentary evidence and making essential witnesses then in its employment available and to vest in the Litigating Party the right to institute any such suits, so long as all the direct or indirect costs and expenses of bringing and conducting any such litigation or settlement shall be borne by the Litigating Party, provided that INEX and Hana shall recover their respective actual out-of-pocket expenses, or equitable proportions thereof, associated with any litigation or settlement thereof from any recovery made by any Party. Any excess amount remaining after satisfaction of the Parties' recovery of their respective actual out-of-pocket expenses, or equitable proportions thereof, associated with any litigation or settlement thereof from any recovery made by any Party (the "**Excess Amount**") shall be shared between Hana and INEX on the same basis as set forth in Sections 3.1, 3.2 and 3.3 with respect to Royalties from Net Sales of Product in the applicable jurisdiction; provided however, that any Excess Amount in the form of punitive Damages shall be shared between Hana and INEX in proportion to each Party's contribution to litigation expenses. In the event a settlement or consent judgement does not distinguish between the forms of Damages payable by the Third Party, and Hana and INEX cannot agree on what portion, if any, of the Excess Amount constitutes punitive Damages, the Parties will refer the matter to arbitration in accordance with Article 13;

9.2.7 the Litigating Party shall keep the Non-litigating Party fully informed of the actions and positions taken or proposed to be taken by the Litigating Party on behalf of itself or a licensee or sublicense (including Licensee or Sublicensee) and actions and positions taken by all other parties to such litigation; and

9.2.8 in the event that INEX prosecutes or defends such litigation, Hana may elect to participate formally in the litigation to the extent that the court may permit, but any additional expenses generated by such formal participation shall be paid by Hana (subject to the possibility of recovery of some or all of such additional expenses as described in Section 9.2.6 or from such other parties to the litigation).

9.3 Breach of Confidence Proceedings

In the event of an alleged breach of confidentiality respecting Confidential Information or any Third Party use of Confidential Information, Hana and INEX agree that they shall reasonably cooperate to enjoin such Third Party's use of such Confidential Information, and take such other action as a Party with regard to its own Confidential Information may deem appropriate, at law or in equity.

9.4 Defense of Infringement Proceedings

9.4.1 If any complaint alleging infringement or violation of any patent or other proprietary rights is made against Hana, its Affiliate, Licensee or Sublicensee with respect to the Manufacture, use or sale of a Product, the following shall apply:

(a) Hana shall promptly notify INEX in writing upon receipt of any such complaint setting out full details thereof and shall keep INEX fully informed of the actions and positions taken by the complainant and taken or proposed to be taken by Hana (on behalf of itself, a Licensee or a Sublicensee);

(b) if such complaint gives rise to an indemnification obligation under any of the Definitive Agreements in favor of Hana (or its Affiliate or Licensee or Sublicensee) on the part of INEX, then INEX shall defend such suit and all costs and expenses incurred by Hana (or any Affiliate or Licensee or Sublicensee) in investigating, resisting, litigating and settling such a complaint, including the payment of any award of Damages and/or costs to any Third Party, shall be paid by INEX;

(c) if such complaint does not give rise to an indemnification obligation under the Definitive Agreements in favor of Hana on the part of INEX, then Hana shall have the right but not the obligation to defend such suit and all costs and expenses incurred by Hana (or any Affiliate or Licensee or Sublicensee) in investigating, resisting, litigating and settling such a complaint, including the payment of any award of Damages and/or costs to any Third Party, shall be paid by Hana (or any Affiliate or Licensee or Sublicensee, as the case may be); and

(d) in any event, INEX and Hana shall assist one another and cooperate in any such litigation at each Party's own expense.

9.4.2 If any complaint alleging infringement or violation of any patent or other proprietary rights is made against INEX, its Affiliate, licensee or sublicensee with respect to the Manufacture, use or sale of a Product, the following procedure shall apply:

(a) INEX shall promptly notify Hana in writing upon receipt of any such complaint setting out full details thereof and shall keep Hana fully informed of the actions and positions taken by the complainant and taken or proposed to be taken by INEX;

(b) if such a complaint gives rise to an indemnification obligation under the Definitive Agreements in favor of INEX on the part of Hana, then Hana shall defend such suit and all costs and expenses incurred by INEX (or its Affiliate) in investigating, resisting, litigating and settling such a complaint, including the payment of any award of Damages and/or costs to any Third Party, shall be paid by Hana;

(c) if such complaint does not give rise to an indemnification obligation under the Definitive Agreements in favor of INEX on the part of Hana, then INEX shall have the right but not the obligation to defend such suit and all costs and expenses incurred by INEX (or its Affiliate) in investigating, resisting, litigating and settling such a compliant, including the payment of any award of Damages and/or costs to any Third Party, shall be paid by INEX;

(d) in any event, INEX and Hana shall assist one another and cooperate in any such litigation at each Party's own expense.

9.4.3 With regard to costs and expenses incurred by Hana (or any Licensee or Sublicensee) under Sections 9.4.1(c) or 9.4.2(b) in investigating, resisting, litigating and settling such a complaint, including the payment of any award of Damages and/or costs to any Third Party (the "**Offset Amount**"), but not including any punitive award (the "**Punitive Amount**"), Hana (or any Licensee or Sublicensee) shall be entitled to offset or credit [*] of the Offset Amount against future payments otherwise due INEX as set forth in Section 3.7.1. With regard to any Punitive Amount (eg. willful infringement), the same is not included in the Offset Amount and is not to be offset or credited against future payments due INEX.

9.4.4 In the event a complaint is made under either of Sections 9.4.1 or 9.4.2, no settlement or consent judgment or other voluntary final disposition may be entered into without the consent of the other Party if such settlement would require the other Party to be subject to an injunction or to make a monetary payment or would restrict the claims in or admit any invalidity of any Patents or significantly adversely affect the rights of the other Party.

9.5 Co-operation with Other Licensees

Hana acknowledges that INEX may grant rights to its other sublicensees in respect of fields outside of the Hana Field similar to those granted to Hana under Sections 9.2, 9.3, 9.4 and this Section 9.5. If INEX grants such rights to its other sublicensees, in the event of any litigation in respect of:

9.5.1 fields outside of the Hana Field that may reasonably affect Hana's use of the Patents or Technology in the Hana Field or the Manufacture, use or sale of Product by Hana; or

9.5.2 the Hana Field that may reasonably affect INEX or one or more of INEX's sublicensee's use of the Patents or Technology outside the Hana Field or the manufacture, use or sale of products outside the Hana Field by INEX or one or more other such sublicensee(s);

then INEX, Hana and such other sublicensees will use good faith efforts to determine jointly the course of action, if any, necessary or appropriate to prosecute or defend the litigation. INEX will use reasonable efforts to include in its sublicense agreements, provisions that allow the participation of Hana as contemplated herein.

Article 10 CONFIDENTIAL INFORMATION AND PUBLICATION

10.1 Treatment of Confidential Information

Each Party agrees:

10.1.1 to keep and use in strict confidence all Confidential Information of the other Party that each Party acquires, sees, or is informed of, as a direct or indirect consequence of this Agreement and to not, without the prior written consent of the other Party, disclose any such Confidential Information or recollections thereof to any Person other than its Representatives who are under an obligation of confidentiality on terms substantially similar to those set out in this Agreement, who have been informed of the confidential nature of the Confidential Information and who require such information in connection with the performance of this Agreement;

10.1.2 that all copies, duplicates, reproductions, translations or adaptations of any Confidential Information of the other Party made hereunder shall be clearly labeled as confidential; and

10.1.3 to take all reasonable steps to prevent material in its possession that contains or refers to Confidential Information of the other Party from being discovered, used or copied by Third Parties and that it shall use reasonable steps to protect and safeguard all Confidential Information of the other Party in its possession from all loss, theft or destruction.

10.2 Permitted Disclosures

Notwithstanding anything to the contrary contained in this Agreement, each Party will be permitted to disclose Confidential Information received from the other Party:

10.2.1 where in the reasonable and unqualified opinion of the receiving Party's legal counsel, disclosure is required to be made under:

(a) the securities laws of any relevant jurisdiction, including the receiving Party's jurisdiction of incorporation or a jurisdiction in which the receiving Party's securities are traded on a stock exchange; or

(b) such disclosure is required to be made by the receiving Party or its Representatives under the terms of a valid and effective subpoena or order issued by a court of competent jurisdiction or by an administrative body or government authority;

provided that:

(c) the receiving Party shall immediately notify the disclosing Party prior to any such disclosure and the disclosing Party shall have been given the opportunity where possible to oppose such disclosure by the receiving Party by seeking a protective order or other appropriate remedy, or to waive compliance with the provisions of this Agreement;

(d) the receiving Party or its Representatives, as the case may be, shall disclose only that portion of the information legally required to be disclosed, and

(e) the receiving Party or its Representatives, as the case may be, will exercise all reasonable efforts to maintain the confidential treatment of the information; and

10.2.2 to Third Party contractors or collaborators to facilitate or carry out the Parties' performance of their respective activities under this Agreement, provided that such Third Parties enter into an agreement with such Party which contains confidentiality provisions substantially the same as those set forth herein.

10.3 Liability for Representatives

Each Party will maintain a list of all Representatives to whom it has disclosed Confidential Information and will be responsible for the failure by any of its Representatives to maintain the confidence of any Confidential Information of the other Party in accordance with the terms of this Article.

10.4 Publications Generally

The following restrictions shall apply with respect to the disclosure in conferences, scientific journals or publications by any Party or Representative of any Party relating to the inventions contained in the Patents and the Technology or to the activities or results of the Development by Hana of any Product:

10.4.1 at least thirty (30) days before any proposed submission is submitted and any proposed publication is published by a Party (the "**Publishing Party**"), such Publishing Party shall provide the other Party with an advance copy of any such proposed submission or proposed publication, as the case may be, before any other disclosure of same and such other Party shall have a reasonable opportunity to recommend any changes it reasonably believes are necessary to preserve Intellectual Property Rights or Confidential Information belonging in whole or in part to INEX or Hana, and the incorporation of such recommended changes shall not be unreasonably refused; and

10.4.2 if such other Party informs the Publishing Party, within thirty (30) days after receipt of an advance copy of a proposed publication, that such publication in its reasonable judgment could be expected to have a material adverse effect on any Intellectual Property Rights or Confidential Information belonging in whole or in part to INEX or Hana, the Publishing Party shall delay or prevent such publication as proposed. In the case of inventions, the delay shall be sufficiently long to permit the timely preparation and filing of a patent application(s) or application(s) for a certificate of invention on the information involved but not more than ninety (90) days.

10.5 No Limitation on Regulatory Compliance

Nothing in this Agreement shall be construed as preventing or in any way inhibiting Hana from complying with statutory and regulatory requirements governing the Development, Manufacture, use and sale or other distribution of Product in the Territory in any manner which it reasonably deems appropriate, including, for example, by disclosing to Regulatory Authorities Confidential Information or other information received from INEX.

10.6 Return of Confidential Information

Except as required to comply with Regulatory Requirements, within thirty (30) days of receipt of a written request from the disclosing Party, the receiving Party will return to the disclosing Party or destroy, at the disclosing Party's sole discretion, all Confidential Information of the disclosing Party, including all such information that is electronically stored by the receiving Party, all reproductions thereof and all samples of materials in the form provided by the disclosing Party to the receiving Party, in the receiving Party's possession or control and confirm such destruction or delivery to the disclosing Party in writing, as applicable.

Article 11 REPRESENTATIONS AND WARRANTIES

11.1 Hana Representations and Warranties

Hana hereby represents and warrants to INEX that, as of the effective date of this Agreement:

11.1.1 Hana is a corporation duly organised, existing, and in good standing under the laws of Delaware and has the power, authority, and capacity to enter into this Agreement and to carry out the transactions contemplated by this Agreement, all of which have been duly and validly authorised by all requisite corporate proceedings;

11.1.2 the execution, delivery and performance by Hana of this Agreement do not contravene or constitute a default under any provision of applicable law or its articles or by-laws (or equivalent documents) or of any judgment, injunction, order, decree or other instrument binding upon Hana;

11.1.3 all licenses, consents, authorizations and approvals, if any, required for the execution, delivery and performance by Hana of this Agreement have been obtained and are in full force and effect and all conditions thereof have been complied with, and no other action by or with respect to, or filing with, any governmental authority or any other Person is required in connection with the execution, delivery and performance by Hana of this Agreement;

11.1.4 this Agreement constitutes a valid and binding agreement of Hana, enforceable against Hana in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency; moratorium or creditors' rights generally;

11.1.5 the execution, delivery and performance by Hana of this Agreement do not and will not conflict with or result in a material breach of any of the terms and provisions of any Third Party agreement of Hana entered into as of the effective date of this Agreement;

11.1.6 Hana is not aware of any impediment, including without limitation any Third Party agreement of Hana, which would prevent Hana from performing its obligations under this Agreement;

11.1.7 Hana will not enter into any Third Party agreement after the effective date of this Agreement which, in any way, will prevent Hana from performing all of the obligations hereunder;

11.1.8 the authorized capital of Hana consists of 100,000,000 shares of Common Stock, of which 29,295,117 shares are issued and outstanding as of March 30, 2007, and

10,000,000 shares of preferred stock, par value $0.001 per share, none of which is issued and outstanding. All of such issued and outstanding shares of Common Stock have been validly issued and are outstanding as fully paid and non-assessable;

11.1.9 the issuance of the Common Stock has been duly authorized by all necessary action on the part of Hana and no further action is required by Hana or its board of directors or shareholders to complete the issuance of the Common Stock;

11.1.10 the Common Stock, when issued, will be duly and validly issued, fully paid and non-assessable and will be free and clear of all liens, charges, encumbrances and any rights of others. Hana has reserved from its duly authorized capital stock a number of shares sufficient to meet its obligations to issue the Common Stock hereunder;

11.1.11 no consent, approval, authorization or other order of any governmental authority is required to be obtained by Hana in connection with the authorization and issuance of Common Stock, except for such registrations, filings or notices as have been made or as may be required to be made pursuant to U.S. or Canadian securities laws;

11.1.12 subject to: (i) INEX's representation and warranty set forth in Section 11.2.8; and (ii) the completion of the assignment of the MD Anderson Patents by INEX to Hana, and to the best of the knowledge of Hana without independent investigation or inquiry of any kind, Hana holds the entire right title and interest in and to the Assigned Patents, free and clear of all encumbrances and Hana has the right and power to grant on an exclusive and non-exclusive basis, as the case may be, the licences granted to INEX under this Agreement without consent of any Third Party that may claim any such interest through Hana, including, without limitation, any secured creditor of Hana

11.1.13 subject to INEX's representation and warranty set forth in Section 11.2.9; and subject to the completion of the assignment of the MD Anderson Patents by INEX to Hana, to the best of the knowledge of Hana without independent investigation or inquiry of any kind, all the Assigned Patents are validly subsisting and all maintenance fees and similar annuity payments have been made in each of the jurisdictions requiring such payments; and

11.1.14 Subject to INEX's representation and warranty set forth in Section 11.2.12, and without independent investigation or inquiry of any kind, except for the Intellectual Property Rights described in this Agreement, Hana neither owns nor controls any Intellectual Property Rights that would be required by INEX in order to make, have made, use, sell, offer for sale, import, and have imported Products outside the Hana Field in the Territory.

11.2 INEX Representations and Warranties

INEX warrants and represents to Hana that, as of the effective date of this Agreement:

11.2.1 INEX is a corporation duly organised, existing, and in good standing under the laws of British Columbia and has the power, authority, and capacity to enter into this Agreement and to carry out the transactions contemplated by this Agreement, all of which have been duly and validly authorised by all requisite corporate proceedings;

11.2.2 the execution, delivery and performance by INEX of this Agreement do not contravene or constitute a default under any provision of applicable law or its articles or by-laws (or equivalent documents) or of any judgment, injunction, order, decree or other instrument binding upon INEX;

11.2.3 all licenses, consents, authorizations and approvals, if any, required for the execution, delivery and performance by INEX of this Agreement have been obtained and are in full force and effect and all conditions thereof have been complied with, and no other action by or with respect to, or filing with, any governmental authority or any other Person is required in connection with the execution, delivery and performance by INEX of this Agreement;

11.2.4 this Agreement constitutes a valid and binding agreement of INEX, enforceable against INEX in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium or creditors' rights generally;

11.2.5 the execution, delivery and performance by INEX of this Agreement do not and will not conflict with or result in a material breach of any of the terms and provisions of any Third Party agreement of INEX entered into as of the effective date of this Agreement;

11.2.6 INEX is not aware of any impediment, including without limitation any Third Party agreement, which would prevent INEX from performing its obligations under this Agreement;

11.2.7 INEX will not enter into any Third Party agreement after the effective date of this Agreement which, in any way, will limit its ability to perform all of the obligations hereunder;

11.2.8 to the best of the knowledge of INEX, INEX holds the entire right title and interest in and to the Patents and Technology, free and clear of all encumbrances and INEX has the right and power to grant:

(a) on an exclusive basis, the licences granted to Hana under this Agreement without consent of any Third Party that may claim any such interest through INEX, including, without limitation, any secured creditor of INEX; and

(b) the assignments granted to Hana under this Agreement, and INEX has obtained the consent of all Third Parties from whom consent to such assignments is required;

11.2.9 to the best of the knowledge of INEX, all the Patents are validly subsisting and all maintenance fees and similar annuity payments have been made in each of the jurisdictions requiring such payments;

11.2.10 to the best of the knowledge of INEX, all statements contained in any applications for the registration of the Patents were true and correct as of the date of such applications;

11.2.11 except for the Intellectual Property Rights described in this Agreement, INEX neither owns nor controls any Intellectual Property Rights that would be required by Hana in order to make, have made, use, sell, offer for sale, import, and have imported Products in the Hana Field in the Territory; and

11.2.12 to the actual knowledge of INEX, without independent investigation or inquiry, the rights to the Patents and Technology granted by INEX pursuant to this Agreement, are all of the Intellectual Property Rights necessary for Hana to make, have made, use, sell, offer for sale, import, and have imported Products in the Hana Field within the Territory, without any infringement of or conflict with the Intellectual Property Rights of Third Parties.

11.3 DISCLAIMER

EXCEPT FOR THE EXPRESS WARRANTIES AND REPRESENTATIONS CONTAINED IN THIS AGREEMENT, NEITHER INEX NOR HANA MAKES, AND EACH HEREBY EXPRESSLY DISCLAIMS, ANY WARRANTIES OR REPRESENTATIONS, EITHER EXPRESS OR IMPLIED, WHETHER IN FACT OR IN LAW, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR NON- INFRINGEMENT.

Article 12 INDEMNIFICATION AND LIABILITY LIMITATIONS

12.1 Indemnification by Hana

Hana hereby agrees that it shall be responsible for, indemnify, hold harmless and, defend INEX, its Representatives and their respective heirs, successors and assigns (collectively, the "**INEX Indemnitees**"), from and against any and all Damages suffered or incurred by any INEX Indemnitee arising out of, relating to, resulting from or in connection with any Third Party claims arising out of or relating to:

12.1.1 the breach of any representation or warranty made by Hana herein;

12.1.2 the default by Hana in the performance or observance of any of its obligations to be performed or observed hereunder;

12.1.3 the breach by Hana of any Regulatory Requirements, regulations and guidelines in connection with any Product;

12.1.4 any complaint alleging infringement or violation of any patent or other proprietary rights is made against INEX or its Affiliates with respect to Hana's Manufacture, use or sale of a Product; and

12.1.5 any injury or death to any Person or damage to any property caused by any Product provided by Hana or a Licensee or Sublicensee, whether claimed by reason of breach of warranty, negligence, product defect or otherwise, and regardless of the form in which any such claim is made.

The foregoing shall not apply to the extent that such Damages are due to:

12.1.6 the breach of any representation or warranty made by INEX herein;

12.1.7 the default by INEX in the performance or observance of any of its obligations to be performed or observed hereunder; and

12.1.8 the breach by INEX of any Regulatory Requirements, regulations and guidelines in connection with any Patents and Technology.

12.2 Indemnification by INEX

INEX hereby agrees that it shall be responsible for, indemnify, hold harmless and defend Hana, its Representatives, and their respective heirs, successors and assigns (collectively, the "**Hana Indemnitees**"), from and against any and all Damages suffered or incurred by any Hana Indemnitee arising out of, relating to, resulting from or in connection with any Third Party claims arising out of or relating to:

12.2.1 the breach of any representation or warranty made by INEX herein;

12.2.2 the default by INEX in the performance or observance of any of its obligations to be performed or observed hereunder; and

12.2.3 the breach by INEX of any Regulatory Requirements, regulations and guidelines in connection with any Patents and Technology;

The foregoing shall not apply to the extent that such Damages are due to:

12.2.4 the breach of any representation or warranty made by Hana herein;

12.2.5 the default by Hana in the performance or observance of any of its obligations to be performed or observed hereunder;

12.2.6 the breach by Hana of any Regulatory Requirements, regulations and guidelines in connection with any Product; and

12.2.7 any injury or death to any person or damage to any property caused by any Product provided by Hana or its Licensee or Sublicensees, whether claimed by reason of breach of warranty, negligence, product defect or otherwise, and regardless of the form in which any such claim is made.

12.3 Notice of Claims

In the event that a claim is made pursuant to Section 12.1 or 12.2 against any Person who seeks indemnification hereunder (the "**Indemnitee**"), the Indemnitee shall give the indemnifying Party (the "**Indemnitor**") prompt notice of any claim or lawsuit or other action for which it seeks to be indemnified under this Agreement and agrees that the Indemnitor shall not have any obligation under Section 12.1 or 12.2 as applicable, unless:

12.3.1 the Indemnitor is granted, subject to the provisions of this Section 12.3 and the relevant provisions of Article 9, full authority and control over the defense, including settlement, against such claim or law suit or other action, and

12.3.2 the Indemnitee cooperates fully with the Indemnitor and its agents in defense of the claims or law suit or other action.

The Indemnitee shall have the right to participate in the defense of any such claim, complaint, suit, proceeding or cause of action referred to in this Section utilizing attorneys of its choice, at its own expense, provided however, that the Indemnitor shall, subject to the provisions of this Section 12.3 and the relevant provisions of Article 9, have full authority and control to handle any such claim, complaint, suit proceeding, or cause of action, including any settlement or other disposition thereof, for which the

Indemnitee seeks indemnification under this Section, provided however, subject to the following sentence, that no settlement or consent judgment or other voluntary final disposition may be entered into without the consent of the Indemnitee if such settlement would require the Indemnitee to be subject to an injunction or to make a monetary payment or would restrict the claims in or admit any invalidity of any Patents or significantly adversely affect the rights of the Indemnitee.

12.4 Consequential Losses

EXCEPT FOR EACH PARTY'S LIABILITY TO THE OTHER PARTY FOR INFRINGEMENT OF THE OTHER PARTY'S INTELLECTUAL PROPERTY RIGHTS OR BREACH OF THE OBLIGATIONS RESPECTING CONFIDENTIAL INFORMATION, NO PARTY WILL BE LIABLE FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES OF ANY NATURE ARISING FROM SUCH PARTY'S ACTIVITIES UNDER THIS AGREEMENT; PROVIDED, HOWEVER, THAT THIS LIMITATION SHALL NOT LIMIT THE INDEMNIFICATION OBLIGATION OF SUCH PARTY UNDER SECTIONS 12.1 OR 12.2 FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES RECOVERED BY A THIRD PARTY.

12.5 Actions Between the Parties

For the avoidance of doubt, in connection with actions brought by one Party hereto against the other (whether for breach of any provisions hereof, any representation or warranty made herein or otherwise), each Party expressly reserves all of its rights and remedies under applicable law, including, without limitation, the right to sue for breach of contract.

12.6 Insurance

12.6.1 Prior to or immediately upon the start of any human clinical trials or other product testing involving human subjects by Hana or its Licensee or Sublicensee ("**Human Clinical Trials**") and for a period of five (5) years after the expiration of this Agreement or the earlier termination thereof, Hana shall obtain and/or maintain, respectively, at its sole cost and expense, public liability and product liability insurance in not less than the following amounts, with a reputable and financially secure insurance carrier:

(a) Each Occurrence: $5,000,000 Dollars

(b) General Aggregate: $5,000,000 Dollars

Such product liability insurance shall insure against all liability, including personal injury, physical injury, or property damage arising out of the Manufacture, sale, distribution, or marketing in the Territory, by Hana or its Licensee or Sublicensee, of Product. Hana shall provide written proof of the existence of such insurance to INEX upon request.

12.6.2 At all times during the Term of this Agreement and for a period of five (5) years after the expiration of this Agreement or the earlier termination thereof, INEX shall obtain and/or maintain, respectively, at its sole cost and expense, comprehensive or commercial form general liability coverage, including contractual liability, and public liability insurance in not less than the following amounts, with a reputable and financially secure insurance carrier:

(a) Each Occurrence: $4,000,0000 (Canadian dollars)

(b) General Aggregate: $4,0000,000 (Canadian dollars)

INEX shall, at Hana's request, provide Hana with certificates of insurance and copies of the policies of insurance reflecting the coverage and amounts set forth in this Section 12.6.2. Each certificate of insurance shall contain a provision that the coverage afforded under the policy(ies) will not be canceled without thirty (30) days prior written notice (hand delivered or certified mail, return receipt requested) to Hana.

12.6.3 Each Party shall require that such Party's Representatives and Hana's Licensee and Sublicensee under this Agreement shall either:

(a) demonstrate to the other Party's reasonable satisfaction that such Representative or Hana's Licensee or Sublicensee has a program of self insurance no less adequate than that which a reasonable and prudent businessperson carrying on a similar line of business would require; or

(b) sixty (60) days prior to the earlier of the start of Human Clinical Trials or the first sale of any such Product by Hana's Licensee or Sublicensee, procure and maintain public liability and product liability insurance in reasonable amounts, with a reputable and financially secure insurance carrier.

12.6.4 Notwithstanding anything to the contrary contained in this Section 12.6, before the first date of commercial sale of any Product in the U.S., Hana and its Affiliate and Licensee and Sublicensee of each such Product will maintain in full force and effect, with reputable insurers or pursuant to a self-insurance program, product liability insurance to a minimum value of Five Million Dollars ($5,000,000) per each occurrence and in the aggregate.

Article 13 DISPUTE RESOLUTION

13.1 Negotiation and Arbitration

In the event of any dispute arising between the Parties concerning this Agreement, its enforceability, or its interpretation, the following procedure shall apply:

13.1.1 Prior to engaging in any formal dispute resolution with respect to any dispute, controversy or claim arising out of or in relation to this Agreement or the breach, termination or invalidity of this Agreement (each, a "**Dispute**"), the Chief Executive Officers of the Parties shall attempt to resolve the Dispute for a period not less than thirty (30) days.

13.1.2 Except for any Dispute with respect to Intellectual Property Rights, which may, at the option of the other Party, be dealt with by commencing an action in a court of competent jurisdiction, any Dispute that cannot be settled amicably by agreement of the Parties pursuant to Section 13.1.1 may, on mutual agreement of the Parties, be finally settled by a single arbitrator appointed pursuant to the rules of The Center for Public Resource's Institute for Dispute Resolution.

13.1.3 The place of arbitration shall be Seattle, Washington and the language to be used in the arbitration proceedings shall be English.

13.1.4 The award rendered in any arbitration shall be final and binding upon both Parties. The judgment rendered by the arbitrator(s) shall include costs of arbitration, reasonable legal fees and reasonable costs for any expert and other witnesses.

13.1.5 Nothing in this Agreement shall be deemed as preventing either Party from seeking specific performance, injunctive relief (or any other equitable relief), in respect of any actual or threatened breach of this Agreement, without proof of actual damages, from any court having jurisdiction over the Parties and the subject matter of the Dispute as necessary to protect either Party's name, Confidential Information or Intellectual property.

13.1.6 Notwithstanding the provisions of Subsections 13.1.2 through 13.1.5 inclusive, either Party shall be free to submit any Dispute relating to Intellectual Property Rights to any court having jurisdiction over the Parties and the subject matter of the Dispute and to seek such relief and remedies as are available in that court.

13.1.7 Each Party is required to continue to perform its obligations under this Agreement pending final resolution of any Dispute.

Article 14 TERM & TERMINATION

14.1 Term

14.1.1 The license grant by INEX to Hana in this Agreement shall become effective on the effective date of this Agreement and, unless earlier terminated in accordance with this Article 14, shall expire, on a country-by-country basis, in respect of each Product upon the later of:

(a) expiration of the last to expire of the Patents containing Valid Claims covering such Product in such country in the Territory;

(b) expiration of the last to expire period of product exclusivity covering such Product that is provided by the laws of such country in the Territory; and

(c) on the date that all Technology cease to be Confidential Information under the circumstances set out in Section 1.1.24.

(the "**Term**" of this Agreement).

14.2 Termination for Invalidity Challenge

If Hana or one of its Affiliates intends to assert or actually asserts in any court or other governmental agency of competent jurisdiction (but excluding any Dispute governed by Article 13 herein) that a Patent is invalid, unenforceable, or that no issued Valid Claim embodied in such patent excludes a Third Party from making, having made, using, selling, offering for sale, importing or having imported a Product in such jurisdiction:

14.2.1 Hana will not less than sixty (60) days prior to making any such assertion, provide to INEX a complete written disclosure of each and every basis then known to Hana or its Affiliate for such assertion and, with such disclosure, will provide INEX with a copy of any document or publication upon which Hana or its Affiliate intends to rely in support of such assertion; and.

14.2.2 INEX shall be entitled, upon not less than thirty (30) days prior written notice to Hana, to terminate the license granted to Hana under Article 2 or require an assignment by Hana to INEX of such Assigned Patent (as the case may be) for such Product(s) covered by the patent under challenge in the applicable jurisdiction; provided however, that INEX shall not terminate such license or require assignment of such Assigned Patent (as the case may be) if within thirty (30) days of Hana's receipt of INEX's notification hereunder, Hana has:

(a) confirmed by written notice to INEX that Hana no longer intends to challenge the validity or enforceability of any Patent; or

(b) provided to INEX, documentation to confirm Hana's withdrawal of its filing, submission or other process commenced in any court or other governmental agency of competent jurisdiction to challenge the validity or enforceability of any Patent.

14.3 Termination on Bankruptcy

14.3.1 This Agreement may be terminated by INEX by providing written notice to Hana upon:

(a) the bankruptcy, liquidation or dissolution of Hana;

(b) the filing of any voluntary petition for bankruptcy, dissolution, liquidation or winding-up of the affairs of Hana; or

(c) the filing of any involuntary petition for bankruptcy, dissolution, liquidation or winding-up of the affairs of Hana which is not dismissed within one hundred twenty (120) days after the date on which it is filed or commenced.

14.3.2 This Agreement may be terminated by Hana by providing written notice to INEX upon:

(a) the bankruptcy, liquidation or dissolution of INEX;

(b) the filing of any voluntary petition for bankruptcy, dissolution, liquidation or winding-up of the affairs of INEX; or

(c) the filing of any involuntary petition for bankruptcy, dissolution, liquidation or winding-up of the affairs of INEX which is not dismissed within one hundred twenty (120) days after the date on which it is filed or commenced. Notwithstanding the bankruptcy of INEX, or the impairment of performance by INEX of its obligations under this Agreement as a result of bankruptcy of INEX, to the extent that INEX retains the rights necessary to grant the licenses granted in this Agreement, Hana shall be entitled to retain the licenses granted herein, subject to INEX's rights to terminate this Agreement as provided in this Agreement.

14.3.3 In the event INEX shall: (1) make an assignment for the benefit of creditors, or petition or apply to any tribunal for the appointment of a custodian, receiver, or trustee for all or a

substantial part of its assets; (2) commence any proceeding under any bankruptcy, dissolution, or liquidation law or statute of any jurisdiction whether now or hereafter in effect; (3) have had any such petition or application filed or any such proceeding commenced against it in which an order for relief is entered or an adjudication or appointment is made, and which remains undismissed for a period of one hundred twenty (120) calendar days or more; (4) take any corporate action indicating its consent to, approval of, or acquiescence in any such petition, application, proceeding, or order for relief or the appointment of a custodian receiver, or trustee for all or substantial part of its assets; or (5) permit any such custodianship, receivership, or trusteeship to continue undischarged for a period of one hundred twenty (120) calendar days or more (each, a "**Bankruptcy Action**"), and the occurrence of any of the foregoing causes the applicable Party or any Third Party, including, without limitation, a trustee in bankruptcy, to be empowered under state or federal law to reject this Agreement or any Agreement supplementary hereto, then Hana shall have the following rights:

(a) in the event of a rejection of this Agreement or any agreement supplementary hereto, Hana shall be permitted to receive and use any Technology and Confidential Information for the purpose of enabling it to mitigate damages caused to Hana because of the rejection of this Agreement;

(b) in the event of a rejection of this Agreement or any Agreement supplementary hereto, Hana may elect to retain its rights under this Agreement or any agreement supplementary hereto as provided in Section 365(n) of the United States Bankruptcy Code or comparable provision of the laws of any other country in the Territory. Upon Hana's written request to INEX or the bankruptcy trustee or receiver, INEX or such bankruptcy trustee or receiver shall not interfere with the rights of Hana as provided in this Agreement or in any agreement supplementary thereto;

(c) in the event of a rejection of this Agreement or any Agreement supplementary hereto, Hana may elect to retain its rights under this Agreement or any agreement supplementary hereto as provided in Section 365(n) of the United States Bankruptcy Code or comparable provision of the laws of any other country in the Territory without prejudice to any of its rights of setoff and/or recoupment with respect to this Agreement under the Bankruptcy code or applicable non-bankruptcy law; or

(d) in the event of a rejection of this Agreement or any Agreement supplementary hereto, Hana may retain its rights under this Agreement or any agreement supplementary hereto as provided in Section 465(n) of the United States Bankruptcy Code or comparable provision of the laws of any other country in the Territory without prejudice to any of its rights under Section 503(b) of the Bankruptcy Code or comparable provision of the laws of any other country in the Territory.

Notwithstanding anything to the contrary in this Section 14.3.3:

(e) INEX will provide Hana with thirty (30) days prior written notice of INEX's regulatory filings in respect of any reorganization or arrangement proposed by INEX;

(f) any reorganization or arrangement involving INEX, its affiliates and/or its wholly owned subsidiaries which does not prejudice the rights of Hana shall not constitute a Bankruptcy Action for the purposes of this Section 14.3.3 and shall not give rise to the remedies set forth in this Section 14.3.3; and

(g) if Hana asserts any rights under Section 14.3.3(a), 14.3.3(b), 14.3.3(c) or 14.3.3(d), Hana shall continue to be bound by all liabilities and obligations imposed upon Hana, its Affiliates, Licensees and Sublicensees, any remedies available to INEX under this Agreement.

14.4 Termination for Material Breach

14.4.1 Except as otherwise provided in this Agreement, either Party shall be entitled to terminate this Agreement by written notice to the other Party in the event that the other Party is in material breach of its obligations hereunder and fails to remedy any such breach within ninety (90) days after notice thereof by the Party alleging breach. Any such notice shall:

(a) specifically state that the Party not in default intends to terminate this Agreement in the event that the other Party fails to remedy the breach; and

(b) expressly set forth the actions required of the other Party to remedy the breach.

If such breach is not corrected, the Party not in breach shall have the right to terminate the license hereunder in respect of such Product or such country as to which a breach remains unremedied] (to the extent such license is revocable or otherwise subject to termination as provided herein) by giving written notice to the other Party provided the notice of termination is given within six (6) months of one Party's discovery of the other Party's default and prior to correction of the default.

Either Party shall be entitled to terminate the licenses granted hereunder (to the extent such license is revocable or otherwise subject to termination as provided herein) by written notice to the other Party in the event that the other Party is in material default of the Non-Competition provisions of the Asset Purchase Agreement, and fails to remedy any such default within ninety (90) days after notice thereof.

14.4.2 If a Dispute arises as to whether either Party is in material breach of its obligations hereunder, or as to whether such Party has cured any such breach, either Party may invoke the dispute resolution procedure described in Article 13 to resolve such Dispute.

14.5 No Limitation on Remedies

Upon any termination of this Agreement pursuant to this Article 14, neither Party shall be relieved of any obligations incurred prior to such termination. Termination of the Agreement in accordance with the provisions hereof shall not limit remedies that may be otherwise available in law or equity.

14.6 Consequences of Termination

14.6.1 Notwithstanding anything to the contrary herein, if INEX terminates this Agreement pursuant to this Article 14, within thirty (30) days following the effective date of such termination, Hana shall assign to INEX:

(a) Hana's entire right, title and interest in and to the Thomas Patents subject to the terms and conditions set forth in the MD Anderson License; and;

(b) Hana's entire right, title and interest in and to Hana's joint ownership of the Sarris Patents subject to the terms and conditions set forth in the MD Anderson License.

14.6.2 Upon any termination by INEX of the licenses granted by INEX or of this Agreement:

(a) Hana shall not be relieved of any obligations incurred prior to such termination;

(b) each Party shall promptly return to the other Party all written Confidential Information, and all copies thereof (except for one archival copy to be retained solely for the purpose of confirming which information to hold in confidence hereunder); and

(c) all Licenses and Sublicenses granted hereunder shall forthwith terminate.

14.6.3 The termination by INEX of the licenses granted by INEX or of this Agreement will be without prejudice to:

(a) INEX's right to receive all payments accrued from Hana pursuant to Section 8.6 as of the effective date of such termination including, without limitation, payment for all out-of-pocket costs and personnel costs which INEX has properly and reasonably incurred in providing IP Services and in following instructions received from Hana up to the date of such termination. For greater certainty, such costs shall include INEX's reasonable and necessary non-cancelable obligations to Third Parties actually incurred by INEX in the performance if its obligations under this Agreement prior to the date of notice of termination, but arising after the date of notice of termination; and

(b) any other legal, equitable or administrative remedies as to which either Party may then or thereafter become entitled.

14.7 Disposition of Product

Upon any termination of this Agreement pursuant to Sections 14.3 and 14.4, Hana shall within thirty (30) days after the effective date of such termination notify INEX in writing of the amount of each Product which Hana, its Affiliates, Licensees and Sublicensees then have completed on hand, the sale of which would, but for the termination, be subject to royalty. At INEX's sole election, evidence by written consent, INEX may grant Hana, its Affiliates, and their respective Licensees and/or Sublicensees written permission during the one (1) year following such termination to sell that amount of Product, provided that Hana shall pay the aggregate royalty thereon at the conclusion of the earlier of the last such sale or such one (1) year period. Except as provided under this Section 14.7, all sublicenses granted by Hana shall forthwith terminate upon the termination of this Agreement.

14.8 Delivery of Data and Materials and License

Upon termination of the license granted by INEX to Hana in respect of a particular Product in a particular country(ies) under Section 14.4 by INEX for Hana's uncured material default, or Section 14.3.1 for invalidity challenge, or Section 5.5 for lack of sales:

14.8.1 Provided that INEX shall be responsible for any reasonable associated out-of-pocket costs associated with the following activities, Hana shall deliver to INEX a copy of all data (including animal and human) and such other information, Materials, materials (including biological materials) and documents in Hana's possession or control arising from the Development of Product under this Agreement that INEX may reasonably require in order to obtain and/or maintain Regulatory Approvals for such Product in the applicable country(ies). INEX may, directly or through a licensee, exploit such data, other information, Materials, materials (including biological materials) and documents to develop, make, have made, import, use, offer for sale and sell Product in such countries.

14.8.2 Hana shall also, within thirty (30) days after the effective date of such termination, use all reasonable endeavors to take all steps and execute all documents reasonably necessary to assign and/or transfer or permit reference to (to the extent legally permissible in the relevant country) all Regulatory Submissions and Regulatory Approvals arising from the Development of Product under this Agreement in Hana's name or in the name of Hana's Representatives to INEX or its designee, provided that INEX shall be responsible for any reasonable associated out-of-pocket costs of transfer.

14.8.3 In the event that no such assignment and/or transfer and/or reference pursuant to Section 14.8.2 may legally be made, then Hana shall forthwith surrender to INEX or its designee such Regulatory Submissions and Regulatory Approvals for cancellation.

14.8.4 Upon INEX's request, Hana shall within thirty (30) days after the effective date of such termination, deliver to INEX or its designee any and all documents relating to applications, correspondences with Regulatory Authorities, Regulatory Submissions, Regulatory Approvals, and post-Regulatory Approval Pharmacovigilance in its possession or control arising from the Development of Product that are reasonably required for Commercialization of Product in such country(ies), provided that INEX shall be responsible for any reasonable associated out-of-pocket costs of transfer.

Except to the extent set out in the last sentence of Section 14.8.1, Hana's transfer to INEX of any data, other information, Materials, materials (including biological materials) or documents shall not grant INEX any license or right (whether express, implied or by estoppel) in any Intellectual Property Rights owned or controlled by Hana.

Article 15 GENERAL PROVISIONS

15.1 Amendments

No amendment, modification, supplement, termination or waiver of any provision of this Agreement will be effective unless in writing signed by the Parties and then only in the specific instance and for the specific purpose given.

15.2 Assignment

Neither Party may assign this Agreement in whole or in part without the prior written consent of the other Party, provided that either Party may assign this Agreement to an Affiliate or a successor in interest on written notice to the other Party. Any permitted assignee shall assume all obligations of its assignor under this Agreement. No assignment shall relieve any Party of responsibility for the performance of any accrued obligation that such Party then has under this Agreement.

15.3 Counterparts; Facsimile

This Agreement may be executed in any number of counterparts (either originally or by facsimile), each of which shall be deemed to be an original, and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of the agreement to produce or account for more than one such counterpart.

15.4 Entire Agreement

This Agreement (including Exhibits) constitutes the entire agreement between the Parties concerning the subject matter hereof, and supersedes all written or oral prior agreements or understandings with respect thereto.

15.5 Enurement

This Agreement shall enure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns.

15.6 Exhibits

The Exhibit attached hereto shall be deemed to form an integral part of this Agreement.

15.7 Force Majeure

In the event that either Party is prevented from performing or is unable to perform any of its obligations under this Agreement due to any act of God; fire; casualty; flood; war; strike; lockout; failure of public utilities; injunction or any act, exercise, assertion or requirement of governmental authority; epidemic; destruction of production facilities; riots; insurrection; inability to procure or use materials, labor, equipment, transportation or energy; or any other cause beyond the reasonable control of the Party invoking this Section 15.7 if such Party shall have used its reasonable efforts to avoid such occurrence, such Party shall give notice to the other Party in writing promptly, and thereupon the affected Party's performance shall be excused and the time for performance shall be extended for the period of delay or inability to perform due to such occurrence.

15.8 Further Assurances

Each Party shall co-operate with the other, and execute and deliver, or cause to be executed and delivered, all such other documents and instruments and take all such other actions as such Party may be reasonably requested by the other Party to take from time to time, consistent with the terms of this Agreement in order to implement the provisions and purposes of this Agreement.

15.9 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of Washington and the laws of the United States of America applicable therein.

15.10 Headings

The headings in this Agreement are solely for convenience of reference and shall not be used for purposes of interpreting or construing the provisions hereof.

15.11 Independent Legal Advice

Both Parties sought external legal counsel representation in the preparation of this Agreement, and neither Party shall be construed to be the drafter hereof.

15.12 International Sale of Goods Act

The Parties acknowledge and agree that the International Sale of Goods Act and the United Nations Convention on Contracts for the International Sale of Goods have no application to this Agreement.

15.13 Jurisdiction

Subject to Article 13, the Parties agree that the courts of the State of Washington will have exclusive jurisdiction to determine all disputes and claims arising between the Parties.

15.14 Non-Use of Names

Neither Party shall use the name of the other Party, nor any adaptation thereof, in any advertising, promotional or sales literature without prior written consent obtained from such other Party in each case (which consent shall not be unreasonably withheld or delayed).

15.15 Notices

Notices provided under this Agreement to be given or served by either Party on the other will be given in writing and served personally, by prepaid registered mail return receipt requested, by a reputable courier company or by means of facsimile, to the following respective addresses or to such other addresses as the Parties may hereafter advise each other in writing. Each such notice shall be deemed delivered (i) on the date delivered if by personal delivery, (ii) on the date telecommunicated if by facsimile, and (iii) on the date upon which the return receipt is signed or delivery is refused, as the case may be, if mailed:

If to Hana:

Hana BioSciences, Inc.
7000 Shoreline Court, Suite 370,
South San Francisco, CA 94080
U.S.A

Attention: President and/or C.E.O.

Tel:
Fax:

If to INEX:

Inex Pharmaceuticals Corporation
#200 – 8900 Glenlyon Parkway
Burnaby, B.C.
Canada V5J 5J8

Attention: President and/or C.E.O.

Tel: (604) 419-3200
Fax: (604) 419-3201

Any Party may, at any time, give notice of any change of address to the other and the address specified therein shall be such Party's address for the purpose of receiving notices.

15.16 No Implied Rights

Nothing in this Agreement will be deemed or implied to be the grant by one Party to the other of any right, title or interest in any product (including Product), Confidential Information, trade mark, trade dress or any other intellectual property or any other proprietary right of the other, except as is expressly provided for herein

15.17 No Solicitation or Hiring of Employees

The Parties agree that, during the Term and for a period of twelve (12) months thereafter, it will not directly or indirectly induce any employee of the other Party to terminate their employment with the other Party without the prior written consent of the other Party. This Section shall not prevent or prohibit any employee from one Party directly contacting the other Party for employment or employment opportunities or from responding to published employment advertisements, and under these limited circumstances, this restriction shall not prevent either Party from interviewing and/or hiring such an employee.

15.18 No Third-Party Rights

No provision of this Agreement will be deemed or construed in any way to result in the creation of any rights or obligation in any Person not a party to this Agreement.

15.19 No Waiver

No condoning, excusing or overlooking by any Party of any default or breach by the other Party in respect of any terms of this Agreement shall operate as a waiver of such Party's rights under this Agreement in respect of any continuing or subsequent default or breach, and no waiver shall be inferred from or implied by anything done or omitted by such Party, save only an express waiver in writing.

15.20 Publicity

Except as required by law, stock exchange or regulatory authority:

15.20.1 neither Party, nor any of its Affiliates, shall originate any publicity, news release or other public announcement, written or oral, relating to this Agreement or the existence of an arrangement between the Parties, without the prior written approval of the other Party and agreement upon the nature and text of such announcement or disclosure, which approval shall not be unreasonably withheld or delayed; and

15.20.2 the Party desiring to make any such public announcement or other disclosure shall inform the other Party of the proposed announcement or disclosure in reasonably sufficient time prior to public release, and shall provide the other Party with a written copy thereof, in order to allow such other Party to comment upon such announcement or disclosure.

15.21 Relationship of Parties

It is not the intent of the Parties hereto to form any partnership or joint venture. Each Party shall, in relation to its obligations hereunder, be deemed to be and shall be an independent contractor, and nothing in this Agreement shall be construed to give such Party the power or authority to act as agent for the other Party for any purpose, or to bind or commit the other Party in any way whatsoever.

15.22 Rights and Remedies

The rights and remedies available under this Agreement shall be cumulative and not alternative and shall be in addition to and not a limitation of any rights and remedies otherwise available to the Parties at law or in equity. No exercise of a specific right or remedy by any Party precludes it from or prejudices it in exercising another right or pursuing another remedy or maintaining an action to which it may otherwise be entitled either at law or in equity.

15.23 Severability

If any one or more of the provisions contained in this Agreement is found by any court or arbitrator for any reason, to be invalid, illegal or unenforceable in any respect in any jurisdiction:

15.23.1 such provision shall be severable from the remainder of the Agreement in the jurisdiction in which such provision was found to be invalid, illegal or unenforceable;

15.23.2 the validity, legality and enforceability of such provision will not in any way be affected or impaired thereby in any other jurisdiction and the validity, legality and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby, unless in either case as a result of such determination this Agreement would fail in its essential purpose; and

15.23.3 the Parties will use their best efforts to substitute for any provision that is invalid, illegal or unenforceable in any jurisdiction a valid, legal and enforceable provision which achieves to the greatest extent possible the economic, legal and commercial objectives of such invalid, illegal or unenforceable provision and of this Agreement.

15.24 Survival

Notwithstanding any termination of this Agreement, the provisions of Article 1, Sections 2.4.2(c), 2.4.2(d), 2.5, Article 3, Sections 5.5.2(c), 6.2, 6.3, 7.1, 7.3, 7.4.1, 7.4.2, 8.3.3, 8.5.3, 8.5.4, 8.5.6, 8.6.2, 8.6.3, 8.7, 8.8, Article 9, Article 10, Article 11, Article 12, Article 13, Article 14, Article 15, as well as under any other provisions which by their nature are intended to survive any such termination, will survive the termination of this Agreement.

15.25 Wording

Wherever the singular or masculine form is used in this Agreement, it will be construed as the plural or feminine or neuter form, as the case may be, and vice versa, as the context or the Parties require.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as a sealed instrument in their names by their properly and duly authorized officers or representatives.

HANA BIOSCIENCES, INC.
by its authorized signatory:

/s/ Mark J. Ahn
Mark J. Ahn
President and Chief Executive Officer

INEX PHARMACEUTICALS CORPORATION
by its authorized signatory:

/s/ Timothy Ruane
Timothy Ruane
President and Chief Executive Officer

Exhibit 1.1.9 to Amended and Restated License Agreement

The following pages comprise the Assigned Patents:

Inex File Number	Title	Serial/Patent Numbers	Inventors	Origin	Ownership of Prosecution	Hana Cost Allocation
		[*]				

***Confidential Treatment Requested.**

Exhibit 1.1.54 to Amended and Restated License Agreement

The following pages comprise the Licensed Patents:

[*]

***Confidential Treatment Requested.**

Exhibit 1.1.103 to Amended and Restated License Agreement

The following is included in Technology:

[*]

Inex Lab Book #	Issued to	Date	Location
[*]	**[*]**	**[*]**	**[*]**

***Confidential Treatment Requested.**

* Confidential Treatment has been requested for the marked portions of this exhibit pursuant to Rule 24B-2 of the Securities Exchange Act of 1934, as amended.

Execution Copy

SUBLICENSE AGREEMENT

THIS AGREEMENT is dated effective January 8, 2007,

AMONG:

ALNYLAM PHARMACEUTICALS, INC., a corporation duly incorporated under the laws of the State of Delaware and having an office at 300 Third Street, 3rd Floor, Cambridge, MA 02142

("***Alnylam***")

AND:

INEX PHARMACEUTICALS CORPORATION, a corporation duly incorporated under the laws of the Province of British Columbia and having an office at 100 - 8900 Glenlyon Parkway , in the City of Burnaby, in the Province of British Columbia, V5J 5J8

(the "***Inex***")

WHEREAS:

A. Inex is the exclusive licensee of certain Patents (as defined below) owned by the University of British Columbia (the "**University**") under a License Agreement dated effective July 1, 1998, as amended (as so amended, the "**University License Agreement**").

B. Inex and Alnylam have entered into a License and Collaboration Agreement of even date with this Agreement (the "**LCA**") and have entered into a Consent Agreement with the University of even date with this Agreement (the "**Consent Agreement**");

C. Under Section 6.4 of the LCA, the parties are to enter into a separate agreement pursuant to which Inex is to sublicense certain of its rights under the University License Agreement to Alnylam; and

D. This Agreement is such separate agreement.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and of the mutual covenants herein set forth, the parties hereto have covenanted and agreed as follows:

1.0 DEFINITIONS:

1.1 In this Agreement, unless a contrary intention appears, the following words and phrases shall mean:

(a) "**1999 CRA**": the Collaborative Research Agreement between Inex and the University dated effective January 1, 1999 and successor agreements thereto.

(b) "**2007 CRA**": the Collaborative Research Agreement between Inex and the University dated effective January 1, 2007 and successor agreements thereto

(c) "**Affiliate**" or "**Affiliated Company**" or "**Affiliated Companies**": with respect to any specified person, any other person that directly controls, is controlled by, or is under common control with, such specified person. For the purposes of this Article 1.1(b), "**control**" shall mean:

(i) in the case of corporate entities, the direct or indirect ownership of at least 50% of the stock or participating shares entitled to vote in the general meeting of shareholders, and

(ii) in the case of a partnership or other legal entity, ownership of at least 50% interest in the income or at least a 50% interest in the power to direct the management or policies of such entity.

For the purposes of this Agreement, the parties agree that Protiva Biotherapeutics Inc. shall not be an Affiliate of Inex.

(d) "**Alnylam Field**": means the use of Products for the treatment, prophylaxis and diagnosis of diseases in humans.

(e) "**Confidential Information**" means any and all information and data, and all scientific, pre-clinical, clinical, regulatory, manufacturing, marketing, financial and commercial information or data, whether communicated in writing or orally or by any other method, which is provided by one party to the other party in connection with this Agreement.

(f) "**Date of Commencement**": July 1, 1998.

(g) "**Discloser**" means a party to this Agreement providing its Confidential Information to the other party as Recipient.

(h) "**miRNA Product**" means a product containing, comprised of or based on native or chemically modified RNA oligomers designed to either modulate a micro RNA transcript and/or provide the function of a micro RNA transcript.

(i) "**Patent(s)**": all Valid Claims of the following intellectual property:

(i) the Canadian, United States and foreign patents and/or patent applications listed in Schedule "A";

(ii) Canadian, United States and foreign patents issued from the applications listed in Schedule "A" and from any and all divisionals and continuations of these applications;

(iii) claims of Canadian, United States and foreign continuation-in-part applications and of the resulting patents, which are directed to subject matter specifically described in the Canadian, United States, and foreign applications listed in Schedule "A"

(iv) claims of all foreign patent applications, and of the resulting patents, which are directed to subject matter specifically described in the Canadian and United States patents and/or patent applications described in (i), (ii) or (iii) above; and

(v) any reissues of United States, Canadian or foreign patents described in (i), (ii), (iii) or (iv) above.

(j) "**Product(s)**": any RNAi Product or miRNA Product that, the manufacture, use or sale of which would, but for the license granted herein, infringe a Valid Claim of one or more of the Patent(s).

(k) "**Recipient**": means a party to this Agreement receiving Confidential Information of the other party as Discloser.

(l) "**Related Parties**": means Alnylam's Affiliates and its and their sublicensees.

(m) "**RNAi Product**" means a product containing, comprised of or based on small interfering RNAs or small interfering RNA derivatives or other moieties effective in gene function modulation and designed to modulate the function of particular genes or gene products by causing degradation of a target mRNA to which such small interfering RNAs or small interfering RNA derivatives are complementary, and that is not an miRNA Product.

(n) "**Technology**": the Patent(s) and any and all knowledge, know-how and/or technique or techniques invented, developed and/or acquired, being invented, developed and/or acquired by the University solely or jointly with Inex relating to the Patent(s) as listed in Schedule "***A***" hereto, as amended from time to time, including, without limitation, all research, data, specifications, instructions, manuals, papers or other materials of any nature whatsoever, whether written or otherwise, relating to same.

(o) "**UBC Trade-marks**": any mark, trade-mark, service mark, logo, insignia, seal, design, symbol, or device used by the University in any manner whatsoever.

(p) "**Valid Claim**": shall mean either:

(i) a claim of an issued and unexpired patent included within the Technology, which has not been held unenforceable, unpatentable or invalid by a court or other governmental agency of competent jurisdiction, and which has not been admitted to be invalid or unenforceable through reissue, disclaimer or otherwise, or

(ii) a claim in a hypothetical issued patent corresponding to a pending claim in a patent application within the Technology, provided that if such pending claim has not issued as a claim of an issued patent within the Technology within six years after the filing date of such patent application, such pending claim shall not be a Valid Claim for purposes of this

Agreement. In the event that a claim of an issued patent within the Technology is held by a court or other governmental agency of competent jurisdiction to be unenforceable, unpatentable or invalid, and such holding is reversed on appeal by a higher court or agency of competition jurisdiction, such claim shall be reinstated as a Valid Claim hereunder.

2.0 PROPERTY RIGHTS IN AND TO THE TECHNOLOGY:

2.1 The parties hereto hereby acknowledge and agree that the University owns any and all right, title and interest in and to the Technology.

2.2 Alnylam shall, at the request of Inex, enter into such further agreements and execute any and all documents as may be required to ensure that ownership of the Technology remains with the University.

2.3 On the last working day of June of each and every year during which this Agreement remains in full force and effect, Inex shall deliver in writing to Alnylam the details of any Patents filed during the previous twelve month period.

3.0 GRANT OF LICENSE:

3.1 In consideration of the Royalty payments reserved in this Agreement, and the covenants on the part of Alnylam contained herein, Inex hereby grants to Alnylam an exclusive worldwide sublicense under the rights granted Inex in the University License Agreement to use and sublicense the Technology to research, develop, manufacture, have made, distribute, import, use, sell and have sold Products in and for the Alnylam Field on the terms and conditions hereinafter set forth during the term of this Agreement.

3.2 Subject to the terms and conditions of this Agreement and the LCA, Alnylam hereby grants Inex:

(a) a non-exclusive, royalty-free license under Alnylam's rights in the Technology solely for the purposes of performing (i) Inex's obligations under the Collaboration (as defined in the LCA) with respect to Products in accordance with the Research Plan as set forth in Article 3 of the LCA, and (ii) the Manufacturing Activities (as defined in the LCA). Such license does not include the right to grant sublicenses except to subcontractors of Inex permitted under Section 3.5 of the LCA or the Supply Agreement (as defined in the LCA).

(b) an exclusive, royalty-free license under Alnylam's rights in the Technology to develop, manufacture and commercialize Inex Royalty Products (as defined in the LCA) for the treatment, prophylaxis and diagnosis of diseases in humans in and for the Territory (as defined in the LCA). Such license includes the right to grant sublicenses as provided in Section 6.2 of the LCA.

3.3 Notwithstanding anything to the contrary in this Article 3, the parties acknowledge and agree that the University may use the Technology without charge in any manner whatsoever for non-commercial research, scholarly publication, educational or other non-commercial use.

4.0 SUBLICENSING:

4.1 [Intentionally omitted].

4.2 Alnylam shall have the right to grant sublicenses to third parties and to its Affiliates with respect to the Technology upon written notice to Inex and the University, provided that:

(a) Alnylam will cause the Affiliate or third party so sublicensed (i) to perform the terms of this Agreement as if such Affiliate or third party were Alnylam hereunder; (ii) to represent that such Affiliate or third party is not, as of the effective date of the relevant sublicense agreement, engaged in a dispute with the University; and (iii) to be subject to a written sublicense agreement that contains terms consistent with the terms of this Agreement as described in Section 4.2(c) and that provides that the University is a third party beneficiary of, and has the right to enforce directly against the sublicensee, the terms in such sublicense agreement that are consistent with the terms listed in Section 4.2(c)(ii); and

(b) any Affiliate so sublicensed shall confirm in writing that it agrees to be bound by the terms and conditions of this Agreement, including without limitation, the covenants in this Agreement to pay any amounts due to Inex under the terms of this Agreement. The obligations and liabilities of such Affiliate and Alnylam under this Agreement shall be joint and several and Inex shall not be obliged to seek recourse against an Affiliate before enforcing its rights against Alnylam. For greater certainty it is hereby confirmed that any default or breach by an Affiliate of any term of this Agreement will also constitute a default by Alnylam under this Agreement.

(c) As used in this Section 4.2, the “terms of this Agreement” means (i) the terms set forth in this Agreement; (ii) terms in such sublicense agreement consistent with Sections 1.3, 1.7, 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7, 2.8 and 2.13 of the Consent Agreement among Alnylam, Inex and the University of even date with this Agreement; and (iii) other customary and reasonable terms, including but not limited to terms relating to breach and termination, that are consistent with Alnylam’s obligations to Inex under this Agreement and the LCA.

4.3 Alnylam will furnish Inex with a copy of each sublicense granted within 30 days after execution. Any such copy may contain reasonable redactions as Alnylam may make, provided that such redactions do not include provisions necessary to demonstrate compliance with the requirements of this Agreement. If the University requests of Inex that a less redacted version of any sublicense be provided to the University, Alnylam agrees to discuss in good faith with Inex and the University the University’s concerns.

4.4 Any sublicense (including any sublicense granted to an Affiliate) granted by Alnylam shall contain covenants by the sublicensee to observe and perform similar terms and conditions to those in this Agreement and those terms set forth in Section 4.2(c), including, without limitation, a restriction on the grant of further sublicenses without notice to Inex and the University.

4.5 Any sublicense granted by Alnylam hereunder shall survive termination of the licenses or other rights granted to Alnylam under this Sublicense Agreement, and be assumed

by Inex as long as (a) the sublicensee is not then in breach of its sublicense agreement, (b) the sublicensee agrees in writing to be bound to Inex as a sublicensor and to the University under the terms and conditions of this Agreement, and (c) the sublicensee agrees in writing that in no event shall Inex assume any obligations or liabilities, or be under any obligation or requirement of performance, under any such sublicense extending beyond Inex's obligations and liabilities under this Agreement.

5.0 ROYALTIES AND CONSIDERATION:

5.1 The parties acknowledge and agree that the consideration for the rights granted Alnylam to the Technology under this Agreement, and the consideration for the rights granted by Inex to Alnylam to other technologies under the LCA, is the payment by Alnylam of milestones and royalties in accordance with the terms of Article 7 of the LCA ("***Royalty***" or "***Royalties***").

5.2 [Intentionally omitted]

5.3 [Intentionally omitted]

5.4 [Intentionally omitted]

5.5 [Intentionally omitted]

5.6 [Intentionally omitted]

5.7 [Intentionally omitted]

5.8 [Intentionally omitted]

5.9 [Intentionally omitted]

5.10 [Intentionally omitted]

5.11 [Intentionally omitted]

5.12 [Intentionally omitted]

5.13 [Intentionally omitted]

6.0 PATENTS:

6.1 Inex shall pay all costs of prosecuting and maintaining the Patents.

6.2 Inex shall have the right, with reasonable input from Alnylam, to identify any process, use or products arising out of the Technology that may be patentable and shall take all reasonable steps to apply for a patent in the name of the University provided that Inex pays all costs of applying for, registering, and maintaining the patent in those jurisdictions in which Inex determines that a Patent is required.

6.3 On the issuance of a patent for the Technology Inex shall have the right to become, and shall become the licensee of the same all pursuant to the terms contained in the University License Agreement, and Alnylam shall have the right to become, and shall become the sublicensee of such rights pursuant to the terms contained in this Agreement.

6.4 (a) For the purposes of this Article 6.4, "**Improvements**" means, in respect of any Patents: (i) any and all patents and any and all patent applications that claim priority to such Patents (whether complete or incomplete or whether filed or unfiled) including, but not limited to, provisional, non-provisional, continuations and continuations-in-part, and divisional patent applications and registrations in any jurisdiction world-wide; and (ii) any and all inventions arising from such patents or patent applications whether patented or not. Notwithstanding anything to the contrary in the University License Agreement, ownership of all Improvements (A) that fall within clause (i) of this Section 6.4(a) will be assigned to the University; and (B) that fall within clause (ii) of this Section 6.4(a) will follow inventorship as determined by U.S. patent law, except that the University will own all Improvements made by its employees, whether alone or jointly with Inex, under the 1999 CRA or 2007 CRA.

(b) Inex will promptly notify Alnylam of any disclosure under the 2007 CRA of new UBC Intellectual Property (as that term is defined in the 2007 CRA) created under the 2007 CRA that constitutes (a) INEX Collaboration IP or Joint Collaboration IP under the LCA, or (b) INEX Technology (as that term is defined in the LCA) to which Alnylam has a license under Section 6.1.1(a) of the LCA. Inex will promptly provide to Alnylam such information regarding such new UBC Intellectual Property as Alnylam may reasonably request including, but not limited to, all information regarding such new UBC Intellectual Property that is provided to Inex by the University. If requested by Alnylam within the six (6) month period provided under Section 11.1.2 of the 2007 CRA, Inex will exercise its Option under Section 11.1 of the 2007 CRA to make such new UBC Intellectual Property subject to the terms of the University License Agreement and this Agreement as requested by Alnylam.

6.5 Inex shall advise Alnylam in writing of all actions which it undertakes concerning the application and maintenance of the Patents, and shall provide copies of the substantive correspondence and documents which it sends or receives in connection therewith.

6.6 Should Inex:

(a) discontinue pursuing one or more patent applications, patent protection or patent maintenance in relation to the Patent(s) or any continuation, continuation in-part, division, reissue, re-examination or extension thereof; or

(b) not pursue patent protection in relation to the Patent(s) in any specific jurisdiction; or

(c) discontinue or not pursue patent protection in relation to any further process, use or products arising out of the Technology in any jurisdiction;

then Inex shall provide Alnylam with notice of its decision to discontinue or not to pursue such patent protection concurrently with the notice provided to the University by Inex pursuant to Section 6.6 of the University License Agreement.

6.7 [Intentionally omitted]

6.8 [Intentionally omitted]

7.0 WARRANTY:

7.1 [Intentionally omitted]

7.2 The parties acknowledge and agree that the International Sale of Goods Act and the United Nations Convention on Contracts for the International Sale of Goods have no application to this Agreement.

7.3 [Intentionally omitted]

7.4 [Intentionally omitted]

7.5 In the event of an alleged infringement by a third party of the Technology or any right with respect to the Technology, or any complaint by Alnylam alleging any infringement by a third party with respect to the Technology or any right with respect to the Technology, in each case that is licensed to Alnylam under this Agreement, Alnylam shall, subject to Inex having first obtained the University's consent as required by Article 7 of the University License Agreement, have the right to prosecute such litigation. Inex agrees to co-operate reasonably, and to ensure that the University co-operates reasonably, to the extent of executing all necessary documents and to vest in Alnylam the right to institute any such suits, so long as all the direct or indirect costs and expenses of bringing and conducting any such litigation or settlement shall be borne by Alnylam and in such event all recoveries shall inure to Alnylam. In the event of any litigation:

(a) Alnylam shall keep Inex fully informed of the actions and positions taken or proposed to be taken by Alnylam (on behalf of itself or a sublicensee) and actions and positions taken by all other parties to such litigation;

(b) solely to the extent that any final disposition of the litigation that will restrict the claims in or admit any invalidity of any Patent(s) or significantly adversely affect Inex's rights, no such disposition of the litigation shall be taken without full consultation with and approval by Inex, not to be unreasonably withheld or delayed; and

(c) Inex may elect to participate formally in the litigation to the extent that the court may permit, but any additional expenses generated by such formal participation shall be paid by Inex (subject to the possibility of recovery of some or all of such additional expenses from such other parties to the litigation).

(d) [Intentionally omitted]

7.6 In the event of an alleged infringement of the Technology or any third party use of the Technology which is Confidential Information, Alnylam and Inex agree that they shall reasonably cooperate to enjoin such third party's use of the Technology.

7.7 If any complaint alleging infringement or violation of any patent or other proprietary rights is made against Alnylam (or a sublicensee of Alnylam) with respect to the manufacture, use or sale of a Product, the following procedure shall be adopted:

(a) Alnylam shall promptly notify Inex upon receipt of any such complaint and shall keep Inex fully informed of the actions and positions taken by the complainant and taken or proposed to be taken by Inex (on behalf of itself or a sublicensee),

(b) all costs and expenses incurred by Alnylam (or any sublicensee of Alnylam) in investigating, resisting, litigating and settling such a complaint, including the payment of any award of damages and/or costs to any third party, shall be paid by Alnylam (or any sublicensee of Alnylam, as the case may be), and

(c) [Intentionally omitted]

(d) if as a result of such suit it is decided that a Product infringes any valid claim on a patent owned by another, Inex shall consider fair distribution of Royalty income.

8.0 [INTENTIONALLY OMITTED]

9.0 PUBLICATION AND CONFIDENTIALITY:

9.1 As between Inex and Alnylam, the confidentiality, non-use and publication provisions of Article 8 of the LCA shall apply to the Confidential Information of the parties. Notwithstanding any termination or expiration of this Agreement, such obligations shall survive and be binding upon the Recipient, its successors and assigns.

9.2 [Intentionally omitted]

9.3 [Intentionally omitted]

9.4 [Intentionally omitted]

9.5 [Intentionally omitted]

9.6 Alnylam acknowledges that the policies of the University require that the results of the University's research be publishable, subject to Article 9.0 of the University License Agreement. Inex agrees that it will promptly provide to Alnylam any proposed publication or presentation provided to Inex by the University under Section 9.6 of the University License Agreement that relates to the rights sublicensed to Alnylam under this Agreement. Inex will provide such proposed publication or presentation to Alnylam in a timely manner that provides Alnylam with a reasonable period to review and comment on such proposed publication or presentation within the timeframes allowed Inex under such Section 9.6. If Alnylam identifies to Inex in any such proposed publication or presentation any Objectionable Material (as that term is defined in Section 9.7 of the University License Agreement) or any patentable subject matter which needs protection, then Inex will work with the University and use commercially reasonable efforts to obtain for Alnylam the remedies available under Section 9.7 of the University License Agreement including, if requested by Alnylam, permitting Alnylam to participate in discussions with the University.

9.7 [Intentionally omitted]

9.8 [Intentionally omitted]

9.9 [Intentionally omitted]

9.10 [Intentionally omitted]

10.0 PRODUCTION AND MARKETING:

10.1 Alnylam shall not use any of the UBC Trade-marks or make reference to the University or its name in any advertising or publicity whatsoever, without the prior written consent of the University, except as required by law.

10.2 Alnylam shall use its reasonable commercial efforts to promote, market and sell the Products and utilize the Technology and to meet or cause to be met the market demand for the Products and the utilization of the Technology.

10.3 Alnylam acknowledges that if the University is of the view that Inex is in breach of Article 10.2 of the University License Agreement, the University shall notify Inex and Inex and the University shall appoint a mutually acceptable person as an independent evaluator to conduct the evaluation set forth in Article 10 of the University License Agreement. Alnylam will have the right to participate in any such process, and agrees to cooperate reasonably with Inex, at Inex's expense, in such process.

10.4 [Intentionally omitted]

10.5 [Intentionally omitted]

10.6 [Intentionally omitted]

10.7 [Intentionally omitted]

10.8 Alnylam agrees that it shall deliver to Inex an annual report, due on December 31 of each year during the term of this Agreement, which summarizes the major activities Alnylam has undertaken in the course of the preceding 12 months to develop and commercialize and/or market the Technology. The report will include an outline of the status of any Products in clinical trials and the existence of any sublicenses of the Technology.

11.0 ACCOUNTING RECORDS:

11.1 [Intentionally omitted]

11.2 [Intentionally omitted]

11.3 [Intentionally omitted]

11.4 [Intentionally omitted]

11.5 During the term of this Agreement and thereafter, Inex shall use reasonable efforts to ensure that all accounting or similar information provided to Inex or its representatives remains confidential and is treated as such by Inex and the University.

12.0 INSURANCE:

12.1 [Intentionally omitted]

12.2 [Intentionally omitted]

12.3 Alnylam shall either:

(a) demonstrate to Inex's reasonable satisfaction that Alnylam has a program of self insurance no less adequate than that which a reasonable and prudent businessperson carrying on a similar line of business would require; or

(b) sixty (60) days prior to the earlier of the start of any human clinical trials or other Product testing involving human subjects by Alnylam or any sublicensee or the first sale of any Product by Alnylam, procure and maintain clinical trials, public liability, product liability and errors and omissions insurance in reasonable amounts, with a reputable and financially secure insurance carrier.

12.4 Alnylam shall ensure that any and all such policies of insurance required pursuant to this Article 12.3(b) shall include the University, its Board of Governors, faculty, officers, employees, students, and agents as additional insureds.

13.0 ASSIGNMENT:

13.1 This Agreement may not be assigned or otherwise transferred, nor may any right or obligation hereunder be assigned or transferred, by either party by operation of law or otherwise, without the prior written consent of the other party; provided, however, that either party may, without the other party's consent, assign this Agreement and its rights and obligations hereunder in whole or in part to an Affiliate or, to a party that acquires, by merger, sale of assets or otherwise, all or substantially all of the business of such party to which the subject matter of this Agreement relates; and provided, further, that any assignment of rights and/or obligations under this Agreement shall be subject to the terms and conditions of the UBC License, the Consent Agreement and the LCA. Any attempted assignment not in accordance with this Section 13.1 shall be void. The assigning party shall remain responsible for the performance by its assignee of this Agreement or any obligations hereunder so assigned to such assignee.

14.0 GOVERNING LAW AND ARBITRATION:

14.1 This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia- and the laws of Canada in force therein without regard to its conflict of law rules. All parties agree that by executing this Agreement they have attorned to the jurisdiction of the Supreme Court of British Columbia. Subject to Articles 14.2 and 14.3, the courts of British Columbia shall have exclusive jurisdiction over this Agreement.

14.2 In the event of any dispute arising between the parties concerning this Agreement, its enforceability or the interpretation thereof, the same shall be settled by a single arbitrator appointed pursuant to the provisions of the Commercial Arbitration Act of British Columbia, or any successor legislation then in force. The place of arbitration shall be Vancouver, British Columbia. The language to be used in the arbitration proceedings shall be English.

14.3 Article 14.2 shall not prevent a party hereto from applying to a court of competent jurisdiction for interim protection such as, by way of example, an interim injunction.

14.4 Notwithstanding the rest of this Article 14, if a ruling by a court or arbitral authority on any dispute between Inex and Alnylam, regarding the interpretation of this Agreement, could reasonably affect the interpretation of this Agreement, then on receipt of notice of such a dispute from Inex, the University may elect to apply to join in such proceeding.

(a) If the University is permitted to join in such proceeding it shall be bound by the decision of such court or arbitral authority, in so far as the interpretation of such decision could reasonably affect the interpretation of this Agreement.

(b) If the University elects not to join in such proceeding (for reasons other than not being permitted to join) then the University hereby agrees to be bound by the decision of such court or arbitral authority, in so far as the interpretation of such decision could reasonably affect the interpretation of this Agreement.

(c) If the University is not permitted to join in such proceeding, then the University shall not be bound by the decision of such court or arbitral authority.

If Inex and the University retain common counsel to represent them for the purposes of any such proceeding, then Inex shall bear all costs of such counsel. If the University retains independent counsel, then Inex will bear one-half of the cost of such counsel.

15.0 NOTICES:

15.1 All payments, reports and notices or other documents that any of the parties hereto are required or may desire to deliver to any other party hereto may be delivered only by personal delivery or by registered or certified mail, or fax, all postage and other charges prepaid, at the address for such party set forth below or at such other address as any party may hereinafter designate in writing to the others. Any notice personally delivered or sent by fax shall be deemed to have been given or received at the time of delivery, or transmission of the fax. Any notice mailed as aforesaid shall be deemed to have been received on the expiration of five days after it is posted, provided that if there shall be at the time of mailing or between the time of mailing and the actual receipt of the notice a mail strike, slow down or labour dispute which might affect the delivery of the notice by the mail, then the notice shall only be effected if actually received.

If to Alnylam, to:	ALNYLAM PHARMACEUTICALS, INC. 300 Third Street Cambridge, MA 02142 Attention: Chief Executive Officer Facsimile No.: (617) 551-8101
and:	FABER DAEUFER & ROSENBERG PC 950 Winter Street, Suite 4500 Waltham, MA 02451 Attention: Sumy Daeufer Facsimile No.: 781-795-4747
If to Inex:	Director, Business Development Inex Pharmaceuticals Corporation 100 - 8900 Glenlyon Parkway Burnaby, British Columbia V5J 5J8 Telephone: (604) 419-3200 Fax: (604) 419-3202

16.0 TERM:

16.1 This Agreement and the license granted hereunder shall terminate on the expiration of a term of 20 years from the Date of Commencement or the expiration of the last Patent, whichever event shall last occur, unless earlier terminated as a result of the termination of Alnylam's rights to INEX Technology (as that term is defined in the LCA) under the LCA. Upon expiry of the term of this Agreement (but not on earlier termination of this Agreement for any other reason) Alnylam shall thereafter have, in perpetuity, a fully paid-up world wide license to use and sublicense the Technology and to manufacture, have made, distribute, import, use and sell Products in the Alnylam Field, without further payment of Royalties to Inex. The parties acknowledge that, (a) upon termination of the LCA under certain circumstances, Alnylam's license under this Agreement will become paid-up; (b) notwithstanding such license becoming paid-up, Alnylam will be responsible for the payment to the University, or for the reimbursement to Inex, of the amounts due the University from Inex under the University License Agreement arising out of Alnylam's activities under the licenses granted under this Agreement; (c) such payments will be based on the amounts that would have been due Inex under the LCA had the LCA not been terminated; and (d) except for becoming paid-up, the license granted Alnylam under this Agreement will not change as a result of such termination. Expiration or termination of this Agreement shall not relieve the parties of any obligation accruing prior to such expiration or termination. Any expiration or termination of this Agreement shall be without prejudice to the rights of either Party against the other accrued or accruing under this Agreement prior to expiration or termination, including without limitation the obligation to pay royalties sold prior to such expiration or termination.

17.0 [INTENTIONALLY OMITTED]

18.0 MISCELLANEOUS COVENANTS OF LICENSEE:

18.1 [Intentionally omitted]

18.2 [Intentionally omitted].

18.3 Alnylam shall comply with all laws, regulations and ordinances, whether Federal, Provincial, Municipal or otherwise with respect to the Technology and/or this Agreement.

18.4 [Intentionally omitted]

18.5 [Intentionally omitted]

19.0 [INTENTIONALLY OMITTED]

20.0 GENERAL:

20.1 [Intentionally omitted].

20.2 Nothing contained herein shall be deemed or construed to create between the parties hereto a partnership or joint venture. No party shall have the authority to act on behalf of any other party, or to commit any other party in any manner or cause whatsoever or to use any other party's name in any way not specifically authorized by this Agreement. No party shall be liable for any act, omission, representation, obligation or debt of any other party, even if informed of such act, omission, representation, obligation or debt.

20.3 Subject to the limitations hereinbefore expressed, this Agreement shall inure to the benefit of and be binding upon the parties, and their respective successors and permitted assigns.

20.4 No condoning, excusing or overlooking by any party of any default, breach or non-observance by any other party at any time or times in respect of any covenants, provisos, or conditions of this Agreement shall operate as a waiver of such party's rights under this Agreement in respect of any continuing or subsequent default, breach or non-observance, so as to defeat in any way the rights of such party in respect of any such continuing or subsequent default or breach and no waiver shall be inferred from or implied by anything done or omitted by such party, save only an express waiver in writing.

20.5 No exercise of a specific right or remedy by any party precludes it from or prejudices it in exercising another right or pursuing another remedy or maintaining an action to which it may otherwise be entitled either at law or in equity.

20.6 Marginal headings as used in this Agreement are for the convenience of reference only and do not form a part of this Agreement and are not be used in the interpretation hereof.

20.7 The terms and provisions, covenants and conditions contained in this Agreement which by the terms hereof require their performance by the parties hereto after the expiration or termination of this Agreement shall be and remain in force notwithstanding such expiration or other termination of this Agreement for any reason whatsoever.

20.8 If any Article, part, section, clause, paragraph or subparagraph of this Agreement shall be held to be indefinite, invalid, illegal or otherwise voidable or unenforceable, the entire agreement shall not fail on account thereof, and the balance of the Agreement shall continue in full force and effect.

20.9 [Intentionally omitted]

20.10 All amounts due and owing to Inex hereunder but not paid by Alnylam on the due date thereof shall bear interest in Canadian dollars at the rate of one per cent (1%) per month. Such interest shall accrue on the balance of unpaid amounts from time to time outstanding from the date on which portions of such amounts become due and owing until payment thereof in full.

20.11 This Agreement sets forth the entire understanding between the parties and no modifications hereof shall be binding unless executed in writing by the parties hereto.

20.12 Whenever the singular or masculine or neuter is used throughout this Agreement the same shall be construed as meaning the plural or feminine or body corporate when the context or the parties hereto may require.

[Signature page follows]

IN WITNESS WHEREOF the parties hereto have hereunto executed this Agreement on the 8th day of January, 2007.

Signed for and on behalf of
ALNYLAM PHARMACEUTICALS, INC.
by its duly authorized officer:

/s/ John Maraganore

Name: John Maraganore, Ph.D.
Title: President and Chief Executive Officer
Date: January 8, 2007

Signed for and on behalf of
INEX PHARMACEUTICALS CORPORATION
by its duly authorized officer:

/s/ Timothy M. Ruane

Name: Timothy M. Ruane
Title: President & CEO
Date: January 8, 2007

SCHEDULE A - SUBLICENSED PATENTS

[**]

A total of 17 pages were omitted and filed separately with the Securities and Exchange Commission.

***Confidential Treatment Requested.**

* Confidential Treatment has been requested for the marked portions of this exhibit pursuant to Rule 24B-2 of the Securities Exchange Act of 1934, as amended.

EXECUTION COPY

AMENDED AND RESTATED

LICENSE AND COLLABORATION AGREEMENT

by and between

TEKMIRA PHARMACEUTICALS CORPORATION

and

ALNYLAM PHARMACEUTICALS, INC.

Confidential

AMENDED AND RESTATED
LICENSE AND COLLABORATION AGREEMENT

This **AMENDED AND RESTATED LICENSE AND COLLABORATION AGREEMENT**, effective as of May 30, 2008, is made by and between Tekmira Pharmaceuticals Corporation (as successor in interest to INEX Pharmaceuticals Corporation ("INEX")), a corporation organized and existing under the laws of British Columbia, Canada ("Tekmira"), and Alnylam Pharmaceuticals, Inc., a corporation organized and existing under the laws of Delaware, U.S.A ("Alnylam").

RECITALS:

WHEREAS, Alnylam owns or controls certain intellectual property covering fundamental aspects of the structure and uses of therapeutic products that (a) function through RNA interference ("RNAi"), including but not limited to compositions and methods of use of Small Interfering RNAs (siRNAs) (defined below), (b) are, or function through the modulation of, micro RNA transcripts ("miRNA") or (c) are Immunostimulatory Oligonucleotide Compositions or IOCs (defined below); and Alnylam is developing capabilities to develop and commercialize such therapeutic products;

WHEREAS, Tekmira owns or controls certain intellectual property covering certain targeted nucleic acid delivery technology, and is also engaged in the business of discovering, developing, manufacturing and commercializing human therapeutic products, including those mediated by IOCs;

WHEREAS, Alnylam and Tekmira (as successor in interest to INEX) are parties to a License and Collaboration Agreement (the "Original Agreement") dated as of January 8, 2007 (the "Original Effective Date"), under which:

(a) Tekmira granted Alnylam an exclusive license under and to Tekmira's delivery technology for the research, development, manufacture and commercialization of RNAi and miRNA products formulated with Tekmira's technology for the treatment of diseases in humans;

(b) Alnylam granted Tekmira a license under and to (i) Alnylam's core RNAi patent rights for the research, development, manufacture and commercialization of RNAi products directed to up to three Targets (defined below) for the treatment of diseases in humans, and (ii) Alnylam's IOC patent rights for the research, development, manufacture and commercialization of IOC products for the treatment of diseases in humans; and

(c) Alnylam and Tekmira agreed to collaborate on the research and development of liposomal formulations for therapeutic products;

WHEREAS, on March 28, 2008, Tekmira, Protiva Biotherapeutics Inc. ("Protiva") and all holders of securities of Protiva entered into a Share Purchase Agreement (the "Purchase Agreement") pursuant to which, upon the completion of the transactions contemplated therein (the "Closing"), Tekmira will purchase all of the outstanding shares of capital stock of Protiva and Protiva will become a wholly-owned subsidiary of Tekmira;

WHEREAS, following the execution and delivery of the Purchase Agreement, and as a condition to Closing thereunder, Tekmira entered into a subscription agreement with Alnylam (the

"Alnylam Subscription Agreement") and a subscription agreement with F. Hoffmann-La Roche Ltd ("Roche") (the "Roche Subscription Agreement"), pursuant to which Alnylam and Roche have each, separately, agreed to purchase certain shares of Tekmira's common stock upon the Closing if certain conditions are met;

WHEREAS, as partial consideration for Alnylam's agreement to enter into the Alnylam Subscription Agreement, concurrently with the Alnylam Subscription Agreement, Alnylam and Tekmira entered into the First Amendment and Partial Termination of Loan and Security Agreement, which terminates the Loan and Security Agreement between Alnylam and Tekmira dated as of the Original Effective Date in part, and terminates the Negative Pledge Agreement executed in conjunction with such Loan and Security Agreement in its entirety;

WHEREAS, Alnylam and Protiva are parties to a Cross-License Agreement dated as of August 14, 2007 ("Original Protiva License Agreement"), which as a condition to Alnylam's agreement to enter into this Agreement, is being amended and restated concurrently with this Agreement (as so amended and restated, the "Protiva License Agreement");

WHEREAS, following the execution of the Original Protiva License Agreement, Protiva entered into a [**] (the "[**]") with [**] and its affiliated companies (including without limitation [**] (collectively, the "[**]") effective as of [**], under which, among other things, Protiva granted to the Merck Entities a non-exclusive license to certain intellectual property of Protiva;

WHEREAS, as a condition to the effectiveness of the Alnylam Subscription Agreement, Alnylam has agreed to enter into this Amended and Restated License and Collaboration Agreement on the terms and conditions contained herein, including but not limited to, the parties' agreement to harmonize the license grants from Tekmira to Alnylam with respect to certain Tekmira intellectual property that is obtained or developed after the expiration of the Restriction Period (defined below) with the license grants from Protiva to Alnylam contained in the Protiva License Agreement; and the parties' agreement to harmonize the royalty and milestone payment obligations of the Parties with the obligations of Protiva and Alnylam contained in the Protiva License Agreement; and

WHEREAS, concurrent with the execution of this Agreement, the parties have entered into an escrow agreement (the "Escrow Agreement") pursuant to which the original signature pages to this Agreement and the fully-executed Protiva License Agreement, among other agreements, shall be placed into escrow and shall be either (i) released from escrow and delivered to the appropriate parties pursuant to the terms of the Escrow Agreement and, thereafter, this Agreement shall become effective, or (ii) each Party's original signature pages shall be returned to it pursuant to the terms of the Escrow Agreement and this Agreement will never become fully executed, delivered or effective.

*** Confidential Treatment Requested.**

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt of which is hereby acknowledged, Alnylam and Tekmira agree to this Amended and Restated License and Collaboration Agreement effective as of the Effective Date (subject to the terms of Section 11.1):

1. DEFINITIONS

Unless specifically set forth to the contrary herein, the following terms, whether used in the singular or plural, shall have the respective meanings set forth below:

1.1 "Active Internal Development Program" with respect to a particular RNAi Product or miRNA Product, means that the following criteria have been satisfied, as of the relevant time under this Agreement: (a) an active program of Research, Development, Manufacture or Commercialization with respect to such RNAi Product or miRNA Product has been commenced and remains in effect internally at Alnylam or its Affiliates; and (b) if such program has not previously established preclinical proof-of-principle for such RNAi Product or miRNA Product, Alnylam or its Affiliates have committed to conduct such program at least through the completion of significant preclinical proof-of-principle testing of a specific Formulation for such RNAi Product or miRNA Product.

1.2 "Affiliate" means, with respect to a Party, (a) any corporation or business entity of which fifty percent (50%) or more of the securities or other ownership interests representing the equity, the voting stock or general partnership interest are owned, controlled or held, directly or indirectly, by such Party; (b) any corporation or business entity, which, directly or indirectly, owns, controls or holds fifty percent (50%) (or the maximum ownership interest permitted by law) or more of the securities or other ownership interests representing the equity, the voting stock or, if applicable, the general partnership interest, of such Party; or (c) any corporation or business entity, fifty percent (50%) or more of the securities or other ownership interests representing the equity of which is directly or indirectly owned, controlled or held by the same corporation, business entity or security holders, or holders of ownership interests, that own, control or hold fifty percent (50%) or more of the securities or other ownership interests representing the equity or the voting stock of such Party. Notwithstanding the foregoing, for purposes of the definitions of Control, Controls, Controlled by, Tekmira Collaboration IP, Tekmira In-Licenses, Tekmira IOC Technology, Tekmira Know-How, Tekmira Patent Rights, Tekmira Technology and Joint Collaboration IP, Protiva shall not be deemed an Affiliate of Tekmira.

1.3 "Alnylam Collaboration IP" means (a) any improvement, invention, discovery, Know-How or other Intellectual Property Right, patentable or otherwise, first identified, invented, discovered or developed by employees of Alnylam or its Affiliates or other persons not employed by Tekmira acting on behalf of Alnylam, in the performance of the Collaboration, the Manufacturing Activities, and/or Alnylam's obligations under the Original INEX Agreements, and (b) any Patent Rights in the Territory which claim, cover or relate to such improvements, discoveries or Know-How. Alnylam Collaboration IP excludes Alnylam's interest in Joint Collaboration IP.

1.4 "Alnylam Core Patent Rights" means those Patent Rights Controlled by Alnylam that are set forth in Schedule 1.4 of this Agreement, as such Schedule is supplemented from time to time pursuant to Section 6.5.1.

1.5 "Alnylam Field" means the treatment, prophylaxis and diagnosis of diseases in humans using an RNAi Product or miRNA Product.

1.6 "Alnylam IOC Technology" means (a) Know-How that (i) is useful or necessary to Research, Develop, Commercialize and/or Manufacture an IOC Product in the Tekmira IOC Field in the Territory and (ii) is Controlled by Alnylam on the Original Effective Date (excluding any Alnylam Collaboration IP and Alnylam's interest in Joint Collaboration IP) and (b) those Patent Rights Controlled by Alnylam that are set forth in Schedule 1.6 of this Agreement.

1.7 "Alnylam Lipidoid Patent Rights" means those Patent Rights Controlled by Alnylam under a license from the Massachusetts Institute of Technology pursuant to the MIT License Agreement and that are set forth in Schedule 1.7 of this Agreement.

1.8 "Alnylam Materials" means animal models, cell lines, tissue samples, genes, plasmids, siRNAs, miRNA constructs, vectors, receptors and other proteins, peptides, and other biological materials related to the Alnylam Royalty Products, that in each case are provided by Alnylam to Tekmira for use in the performance of the Collaboration, including without limitation, the siRNA or miRNA composition comprising an Alnylam Royalty Product.

1.9 "Alnylam Partnered Product" means an RNAi Product or miRNA Product that is at the relevant time being Researched, Developed, Manufactured and/or Commercialized by Alnylam or its Affiliates with the participation or sponsorship of one or more Third Parties or, prior to the end of the Restriction Period, Protiva. For clarity, it is understood and agreed that no RNAi Product or miRNA Product developed or to be developed in a project or arrangement in which all or substantially all of Alnylam's or its Affiliates' contributions or anticipated contributions are or will be in the form of the grant by Alnylam or its Affiliates of licenses or sublicenses to one or more Intellectual Property Rights, will be considered an Alnylam Partnered Product.

1.10 "Alnylam RNAi Know-How" means Know-How that (a) Alnylam determines in its reasonable judgment to be useful or necessary to Research, Develop, Commercialize and/or Manufacture an Alnylam Royalty Product in the Alnylam Field in the Territory and (b) is either (i) Controlled by Alnylam on the Original Effective Date, or (ii) comes within Alnylam's Control during the Collaboration Term or the Manufacturing Term (excluding any Alnylam Collaboration IP and Alnylam's interest in Joint Collaboration IP).

1.11 "Alnylam RNAi Patent Rights" means Patent Rights that (a) claim (i) Alnylam RNAi Know-How, or (ii) the identification, characterization, optimization, construction, expression, formulation, use or production of an Alnylam Royalty Product, as the case may be, and which Alnylam determines in its reasonable judgment to be useful or necessary to Research, Develop, Commercialize and/or Manufacture an Alnylam Royalty Product in the Alnylam Field in the Territory, and (b) are Controlled by Alnylam at any time during the Collaboration Term or the Manufacturing Term (including, without limitation, the Alnylam Core Patent Rights and the Alnylam Lipidoid Patent Rights, but specifically excluding Alnylam IOC Technology and any Patent Rights included in Alnylam Collaboration IP or Alnylam's interest in Joint Collaboration IP).

1.12 "Alnylam RNAi Technology" means, collectively, Alnylam RNAi Know-How and Alnylam RNAi Patent Rights.

1.13 "Alnylam Royalty Product" means any RNAi Product or a miRNA Product that, but for the licenses granted hereunder, would be Covered by one or more Valid Claims of the Tekmira Patent Rights

1.14 "Alnylam Target" means any Target that is not a Tekmira Development Target, the PLK Target, nor a Protiva Development Target (as defined in the Protiva License Agreement);

provided, however, that the exclusion of the PLK Target will not apply if Protiva provides notice to Alnylam under the Protiva License Agreement that Protiva is terminating its license rights under the Protiva License Agreement with respect to RNAi Products or miRNA Products for the PLK Target.

1.15 "Biodefense Target" means (a) a Target within the genome of one or more Category A, B and C pathogens, as defined by the National Institute of Allergy and Infectious Diseases, including without limitation, pathogens listed on Schedule 1.15, but specifically excluding influenza virus, or (b) an endogenous cellular Target against which Alnylam Researches, Develops and/or Commercializes an Alnylam Royalty Product for commercial supply to one or more Funding Authorities.

1.16 "Bona Fide Collaboration" means a collaboration between Alnylam and/or its Affiliates and one or more Third Parties involving the Research, Development, Manufacture and/or Commercialization of one or more RNAi Products and/or miRNA Products and established under a written agreement in which (a) the scope of the licenses granted, and financial or other commitments of value, are of material value to Alnylam and/or its Affiliates, and (b) Alnylam and/or its Affiliates undertakes and performs substantial, mutual research activity with the Third Party. For purposes of clarity, it is understood and agreed that no collaboration in which all or substantially all of Alnylam's or its Affiliates' contributions or anticipated contributions are or will be solely in the form of the grant by Alnylam or its Affiliates of licenses or sublicenses to one or more Intellectual Property Rights, will be considered a Bona Fide Collaboration.

1.17 "Business Day" means a day on which banking institutions in Boston, Massachusetts and Vancouver, British Columbia, Canada are open for business.

1.18 "Calendar Quarter" means the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31.

1.19 "Calendar Year" means each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.20 "cGMP" means current good manufacturing practices regulations applicable to the Manufacture of a Royalty Product that are promulgated by any Regulatory Authority.

1.21 "Change of Control" means a Change of Control under and as defined in the Protiva License Agreement without cross-reference to this Agreement, or any other transaction, or series of related transactions, whereby: (a) Tekmira merges, reorganizes, amalgamates or consolidates with another entity, and the shareholders of Tekmira owning at least fifty percent (50%) of the outstanding voting securities of Tekmira immediately prior to such transaction(s) own less than fifty percent (50%) of the outstanding voting securities of Tekmira or the surviving entity as a result of such transaction(s), unless such transaction(s) are a Permitted Financing Merger of Tekmira; (b) Tekmira sells, transfers or otherwise disposes of all or substantially all of its assets to which this Agreement relates; or (c) acquisition by a Significant Pharmaceutical Company of control of the management and policies of Tekmira; provided, that a Change of Control shall not include (i) the merger, reorganization, amalgamation or consolidation of Protiva with Tekmira after the end of the Restriction Period, or (ii) the sale or transfer of all or substantially all of the assets of Protiva to which the Protiva License Agreement relates to Tekmira after the end of the Restriction Period.

1.22 "Class 1 Non-Exclusively Licensed Tekmira IP" means all of the following to the extent they comprise Non-Exclusively Licensed Tekmira IP: (a) Generic Claims included in Tekmira Patent Rights, (b) all Know-How, and all Generic Claims included in the Patent Rights, that comprise Tekmira Collaboration IP, (c) Tekmira's interest in Joint Collaboration IP, and (d) Tekmira Know-How. For clarity, Class 1 Non-Exclusively Licensed IP does not include any Tekmira Technology Controlled by Tekmira prior to the end of the Restriction Period or any Tekmira Collaboration IP or Tekmira's interest in and Joint Collaboration IP that is first identified, invented discovered or developed prior to the end of the Restriction Period.

1.23 "Class 2 Non-Exclusively Licensed Tekmira IP" means all of the following to the extent they comprise Non-Exclusively Licensed Tekmira IP: (a) all claims other than Generic Claims and Target-Specific Claims included in Tekmira Patent Rights and (b) all claims other than Generic Claims included in the Patent Rights that comprise Tekmira Collaboration IP. For clarity, Class 2 Non-Exclusively Licensed IP does not include any Tekmira Technology Controlled by Tekmira prior to the end of the Restriction Period or any Tekmira Collaboration IP or Tekmira's interest in and Joint Collaboration IP that is first identified, invented discovered or developed prior to the end of the Restriction Period.

1.24 "Collaboration IP" means the collective reference to Alnylam Collaboration IP, Tekmira Collaboration IP and Joint Collaboration IP.

1.25 "Collaboration Term" means the period commencing on [**]. The Collaboration Term may be extended upon the mutual written agreement of the Parties.

1.26 "Combination Product" means a Royalty Product combined with any other clinically active therapeutic, prophylactic or diagnostic ingredient. All references to Royalty Product in this Agreement shall be deemed to include Combination Product, to the extent applicable.

1.27 "Commercialization" or **"Commercialize"** means any and all activities directed to marketing, promoting, distributing, importing and selling a Royalty Product and activities directed to obtaining pricing and reimbursement approvals, as applicable.

1.28 "Commercially Reasonable Efforts" means the carrying out of obligations in a diligent and sustained manner using such effort and employing such resources as would normally be exerted or employed by a similarly situated biopharmaceutical company for a product resulting from its own research efforts of similar market potential, profit potential or strategic value at a similar stage of its product life.

1.29 "Confidential Information" means any and all information and data, including without limitation Alnylam RNAi Technology, Alnylam IOC Technology, Tekmira Technology and Tekmira IOC Technology, and all other scientific, pre-clinical, clinical, regulatory, manufacturing, marketing, financial and commercial information or data, whether communicated in writing or orally or by any other method, which is provided by one Party to the other Party in connection with this Agreement (or under the Original INEX Agreements). Alnylam RNAi Technology, Alnylam IOC Technology and Alnylam Collaboration IP are Confidential Information of Alnylam. Tekmira IOC Technology, Tekmira Collaboration IP, and Tekmira Technology are Confidential Information of Tekmira. Joint Collaboration IP is the Confidential Information of the Parties.

1.30 "Contract Year" means the twelve (12) month period beginning on the Original Effective Date and each succeeding twelve (12) month period thereafter during the Agreement Term; provided, that the first and second Contract Years of the Collaboration Term shall be deemed to have begun on [**], respectively. Each Contract Year shall be divided into four (4) "**Contract Quarters**" comprised of successive three (3) month periods.

1.31 "Control", "Controls" or "Controlled by" means, with respect to any (a) material, know-how or other information or (b) Intellectual Property Right, the possession of (whether by ownership or license, other than pursuant to this Agreement), or the ability of a Party or its Affiliates to grant access to, or a license or sublicense of, such item or right as provided for herein without violating the terms of any agreement or other arrangement with any Third Party existing at the time such Party would be required hereunder to grant the other Party such access or license or sublicense. For clarity, the Parties acknowledge that no conceptions, developments, techniques, data, inventions, improvements, technical information, or works of authorship that were, are, or that hereafter may be in whole or in part conceived, reduced to practice, discovered, created, authored or otherwise made or obtained by or for Protiva or its contractors at any time since January 18, 2001, will be considered to be Controlled by Tekmira by virtue of any agreement, right, or claim existing or arguably existing prior to the Effective Date.

1.32 "Cover," "Covering", "Covers" or **"Covered"** means, with respect to a Royalty Product, that in the absence of an assignment of rights to, or a license granted under, a Valid Claim, the Research, Development, Manufacture or Commercialization of such Royalty Product would infringe such Valid Claim.

1.33 "Development," "Developing" or **"Develop"** means, with respect to a Royalty Product, the research and development activities related to (a) the generation, characterization, optimization, construction, expression, formulation, use and production of a Royalty Product, and (b) any other research and development activities related to the clinical testing and qualification of such Royalty Product for clinical testing, and such other tests, studies and activities as may be required or recommended to obtain Regulatory Approval of such Royalty Product, including toxicology studies, statistical analysis and report writing, pre-clinical testing, clinical studies and regulatory affairs, product approval and registration activities.

1.34 "Exclusively Licensed Tekmira IP" means any (a) Tekmira Technology that is either (i) Controlled by Tekmira or its Affiliates on the Original Effective Date, or (ii) first discovered or created by Tekmira or its Affiliates during the Agreement Term but prior to the end of the Restriction Period or otherwise comes within the Control of Tekmira or its Affiliates prior to the Effective Date, and (b) Tekmira Collaboration IP and Tekmira's interest in Joint Collaboration IP that are first identified, invented, discovered or developed prior to the end of the Restriction Period.

1.35 "Existing Alnylam In-Licenses" means the Third Party agreements listed on Schedule 1.35.

1.36 "Existing Tekmira In-Licenses" means the Third Party agreements listed on Schedule 1.36.

1.37 "FDA" means the United States Food and Drug Administration and any successor governmental authority having substantially the same function.

1.38 "First Commercial Sale" means, with respect to a Royalty Product, the first sale for end use or consumption of such Royalty Product in a country in the Territory after all required Regulatory Approvals have been granted by the Regulatory Authority of such country. For the avoidance of doubt, sales for clinical study purposes or compassionate, named patient or similar use, shall not constitute a First Commercial Sale, and sales to a Funding Authority shall constitute a First Commercial Sale.

1.39 "Formulation" means a particular RNAi Product or miRNA Product delivery formulation, characterized by its components and its unique ratios among components.

1.40 "FTE" or "Full-Time Equivalent" means with respect to Tekmira, the equivalent of the work of one (1) scientist, full time for one (1) year, for or on behalf of Tekmira, which equates to a total of [**] per year of scientific work performed directly in the Collaboration, and the direct scientific management thereof. In no event shall the work of one individual person account for more than one (1) FTE year.

1.41 "FTE Rate" means an amount per FTE of work actually performed in the Collaboration under the Research Plan or in Manufacturing Activities under the Manufacturing Plan that is equal to [**]; provided, however, that during each Contract Year of the Collaboration Term such rate shall apply only to any FTEs engaged in the Collaboration over and above the initial [**] FTEs in such Contract Year. Commencing with the second Contract Year, the then-current FTE Rate shall be adjusted by the percent change year to year in the Consumer Price Index (All Items) for the Province of British Columbia, Canada as published by Statistics Canada for the period of each applicable Contract Year.

1.42 "Funding Authorities" means the United States Department of Health and Human Services or other United States or foreign government or international agencies responsible for requesting, approving and/or funding the development and manufacture of products for biodefense purposes.

1.43 "Generic Claim" means a claim of a Patent Right that (a) recites a nucleic acid-lipid particle comprising: an siRNA or miRNA, at least one cationic lipid, at least one non-cationic lipid, and a conjugated lipid that inhibits aggregation of particles, and/or methods or uses of such particle in the delivery of siRNA or miRNA; and (b) does not recite any Particular Moiety, or any particular or specific cationic lipid, non-cationic lipid, or conjugated lipid.

1.44 "IND" means an Investigational New Drug application, Clinical Study Application, Clinical Trial Exemption, or similar application or submission for approval to conduct human clinical investigations of Royalty Product filed with or submitted to a Regulatory Authority in conformance with the requirements of such Regulatory Authority.

1.45 "Initiate", **"Initiated"** or **"Initiation"** means, with respect to a Phase I Study or a Phase II Study, the administration of the first dose to a subject in such study.

1.46 "In-Licenses" means collectively, the Existing Alnylam In-Licenses and the Tekmira In-Licenses, but excludes the Tekmira-UBC License Agreement.

1.47 "Intellectual Property Rights" means all intellectual property rights subject to protection by intellectual property laws in any country of the world, arising under statutory or common law, contract or otherwise, and whether or not perfected, including without limitation, all (a) Patent Rights; (b) Collaboration IP; (c) rights associated with works of authorship, including without limitation copyrights, moral rights, copyright applications, copyright registrations; (d) rights associated with trademarks, service marks, trade names, logos, trade dress, goodwill and the applications for registration and registrations thereof; (e) rights relating to the protection of trade secrets and confidential information; (f) rights analogous to those set forth in this Section and any and all other proprietary rights relating to intangible property now existing, hereafter filed, issued or acquired.

1.48 "InterfeRx License Transaction" means a transaction in which Alnylam (a) grants a sublicense under Tekmira Technology and a Target-specific license under Alnylam Core Patent Rights to a Third Party, but (b) does not have the right to collaborate with such Third Party to develop RNAi Products against such Target or Targets.

1.49 "IOC" or **"Immunostimulatory Oligonucleotide Composition"** means a single-stranded or double-stranded ribonucleic acid ("RNA") composition, or derivative thereof, that has activity solely through an immunostimulatory mechanism and has no RNAi activity against a human gene transcript or viral genomic sequence.

1.50 "IOC Product" means a product containing, comprised of or based on IOCs or IOC derivatives.

1.51 "ISIS License Agreement" means the Strategic Collaboration & License Agreement between Isis Pharmaceuticals, Inc., and Alnylam Pharmaceuticals, Inc., dated March 11, 2004, together with Letter Agreements dated March 9, 2004 and March 11, 2004, respectively, and as amended on June 14, 2005, and as further amended from time to time.

1.52 "Joint Collaboration IP" means, collectively, (a) any improvement, discovery or Know-How, patentable or otherwise, first identified, invented, discovered or developed jointly by the Parties or their Affiliates or others acting on behalf of Tekmira and Alnylam in the performance of the Collaboration, the Manufacturing Activities and/or the obligations of the Parties under the Original INEX Agreements, and (b) any Patent Rights in the Territory which claim, cover or relate to such improvements, discoveries or Know-How.

1.53 "Joint Research Committee" or **"JRC"** means the joint research committee as more fully described in Article 4.

1.54 "Know-How" means, with respect to a Royalty Product, all biological materials and other tangible materials, inventions, practices, methods, protocols, formulas, formulations, knowledge, know-how, trade secrets, processes, assays, skills, experience, techniques and results of experimentation and testing, including without limitation pharmacological, toxicological and pre-clinical and clinical test data and analytical and quality control data, patentable or otherwise, which relates to the identification, characterization, optimization, construction, expression, formulation, use

or production of such Royalty Product and which are reasonably useful or necessary to Research, Develop, Manufacture or Commercialize such Royalty Product in the Territory in (a) the Alnylam Field, in the case of Alnylam Royalty Products and Tekmira Development Products or (b) the Tekmira IOC Field, in the case of Tekmira IOC Products.

1.55 "Lead Formulation" means a Formulation that has been identified by Tekmira and Alnylam as being the end product of Tekmira's and Alnylam's work under the Research Plan for a particular Alnylam siRNA or miRNA payload(s) directed at a particular Target. It is expected that formulated materials using a number of different initial Formulations would be delivered by Tekmira to Alnylam, tested by Alnylam, and (on the basis of such tests, and subsequent iterative tests if needed) culled or otherwise adjusted by Tekmira to the point where both parties believe that no further formulation adjustments, or improvements are anticipated under the Research Plan. That Formulation is the Lead Formulation in that situation.

1.56 "Loan Agreement" means that certain Loan and Security Agreement between the Parties dated the Original Effective Date, as amended by the First Amendment and Partial Termination of Loan and Security Agreement between the Parties dated March 28, 2008.

1.57 "Major Market" means any of the United States, the European Union, United Kingdom, France, Germany, Italy, Spain or Japan.

1.58 "Manufacturing" or **"Manufacture"** means, with respect to a Royalty Product, all activities associated with the production, manufacture and processing of such Royalty Product, and the filling, finishing, packaging, labeling, shipping, and storage of such Royalty Product, including without limitation formulation process scale-up for toxicology and clinical study use, aseptic fill and finish, stability testing, analytical development, quality assurance and quality control, and in the case of the Manufacturing of Alnylam Royalty Products by Tekmira, the production of the bulk finished dosage form of Alnylam Royalty Product from the RNAi or miRNA construct.

1.59 "Manufacturing Activities" of a Party means those activities performed by such Party under the Manufacturing Plan, the Supply Agreement, and/or the Quality Agreements relating to the Manufacture and supply of Alnylam Royalty Products.

1.60 "Manufacturing Plan" means the detailed written plan of work for the Manufacture of the bulk finished dosage form of Alnylam Royalty Products for Alnylam by Tekmira pursuant to Section 5.1 for any given Contract Year of the Agreement Term, as such plan is approved and updated by the JRC as necessary pursuant to Section 4.1. The updated Manufacturing Plan for calendar year 2008 is attached to this Agreement as Schedule 5.1. The Manufacturing Plan shall be further updated pursuant to Section 5.1(b).

1.61 "Manufacturing Term" means the period commencing on the Original Effective Date and continuing through the end of the Agreement Term, unless the Manufacturing Activities are terminated earlier in accordance with the terms of this Agreement, including without limitation, Section 11.6.

1.62 "miRNA Product" means a product containing, comprised of or based on native or chemically modified RNA oligomers designed to either modulate an miRNA and/or provide the function of an miRNA.

1.63 "MIT License Agreement" means the Amended and Restated Exclusive Patent License Agreement effective as of May 9, 2007 between the Massachusetts Institute of Technology and Alnylam, as further amended from time to time.

1.64 "NDA" means a New Drug Application, Biologics License Application, Worldwide Marketing Application, Marketing Authorization Application, Section 510(k) filing or similar application or submission filed with a Regulatory Authority in a country or group of countries to obtain marketing approval for a biological, pharmaceutical or other therapeutic, prophylactic or diagnostic product in that country or in that group of countries.

1.65 "Necessary Third Party IP" means, with respect to any country in the Territory, on a country-by-country basis, Know-How or Patent Rights in such country owned or controlled by a Third Party that Cover a Royalty Product, it being understood and agreed that for this purpose, no Know-How or Patent Rights controlled by Protiva and licensed to Alnylam under the Protiva License Agreement will be considered Necessary Third Party IP.

1.66 "Net Sales" means, with respect to a Royalty Product, the aggregate gross invoice prices of all units of such Royalty Product sold by a Party and its Related Parties to Third Parties (other than a Sublicensee of such Party) after deducting, if not previously deducted, from the amount invoiced or received (a) trade and quantity discounts actually given, including early-pay cash discounts; (b) returns, rebates, chargebacks and other allowances actually given; (c) retroactive price reductions that are actually granted; and (d) bad debts, sales or excise taxes, transportation and insurance, custom duties, and other governmental charges actually incurred or accounted for in accordance with generally accepted accounting principles in the United States or Canada, if applicable, consistently applied by the applicable Party

With respect to sales of Combination Products, Net Sales shall be calculated on the basis of the gross invoice price of the Royalty Product(s) containing the same composition and concentration of Royalty Product sold without other clinically active ingredients. In the event that the Royalty Product is sold only as a Combination Product and not sold without other clinically active ingredients, the Parties shall negotiate in good faith another basis on which to calculate Net Sales with respect to the Combination Product that fairly reflects the value of the Royalty Product relative to the other clinically active ingredients in the Combination Product.

A percentage of the deductions set forth in clauses (a) through (d) above equal to the ratio of the Net Sales for the Royalty Product to the Net Sales of the Combination Product will be applied in calculating Net Sales for a Combination Product.

1.67 "Non-Exclusively Licensed Tekmira IP" means all Tekmira Technology, Tekmira Collaboration IP and Tekmira's interest in Joint Collaboration IP, other than the Exclusively Licensed Tekmira IP.

1.68 "Novartis Agreement" means the Research Collaboration and License Agreement between Novartis Institutes for BioMedical Research, Inc. ("Novartis") and Alnylam Pharmaceuticals, Inc. dated October 12, 2005, as amended by the Addendum Re: Influenza Program to Research Collaboration and License Agreement effective as of February 17, 2006, and as further amended from time to time.

1.69 "Original INEX Agreements" means (i) the Original Agreement and (ii) the Evaluation Agreement among Alnylam, Tekmira and INEX dated March 25, 2006, the Letter Agreement among Alnylam, Tekmira and INEX dated March 25, 2006, as each of the Evaluation Agreement and Letter Agreement were amended by the Letter Agreement among Alnylam, Tekmira and INEX dated July 13, 2006.

1.70 "Particular Moiety" means a specific nucleotide sequence of an RNAi Product or miRNA Product, in either case directed against a particular Target.

1.71 "Party" means Tekmira and/or Alnylam.

1.72 "Patent Rights" means all patents (including all reissues, extensions, substitutions, confirmations, re-registrations, re-examinations, invalidations, supplementary protection certificates and patents of addition) and patent applications (including all provisional applications, continuations, continuations-in-part and divisionals).

1.73 "Permitted Financing Merger" means any transaction, or series of related transactions, whereby Tekmira merges, reorganizes, amalgamates or consolidates with another entity, and the shareholders of Tekmira owning at least fifty percent (50%) of the outstanding voting securities of Tekmira immediately prior to such transaction(s) own less than fifty percent (50%) of the outstanding voting securities of Tekmira or the surviving entity as a result of such transaction(s), but where: (a) the business of Tekmira immediately prior to such transaction(s) is the primary business of Tekmira or the surviving entity immediately after such transaction(s); (b) members of the Board of Directors of Tekmira immediately prior to such transaction(s) comprise more than 50% of the Board of Directors of Tekmira or the surviving entity immediately after such transaction(s) and for the subsequent twelve (12) months; and (c) the chief executive officer and chief financial officer of Tekmira immediately prior to such transaction(s) remain the chief executive officer and chief financial officer of Tekmira or the surviving entity immediately after such transaction(s) and for the subsequent twelve (12) months.

1.74 "Person" means and includes any individual, corporation, partnership, firm, joint venture, syndicate, association, trust, government body, and any other form of entity or organization.

1.75 "Phase I Study" means a clinical study of an Alnylam Royalty Product in human volunteers or patients the purpose of which is preliminary determination of safety and tolerability of a dosing regime and for which there are no primary endpoints (as understood by the FDA or other Regulatory Authorities) in the protocol relating to efficacy.

1.76 "Phase II Study" means (a) a dose exploration, dose response, duration of effect, kinetics, dynamic relationship or preliminary efficacy and safety study of an Alnylam Royalty Product in the target patient population or (b) a controlled dose-ranging clinical trial to evaluate further the efficacy and safety of an Alnylam Royalty Product in the target patient population and to define the optimal dosing regimen.

1.77 "Phase III Study" means a controlled pivotal clinical study of an Alnylam Royalty Product that is prospectively designed to demonstrate statistically whether such Alnylam Royalty Product is effective and safe for use in a particular indication in a manner sufficient to obtain Regulatory Approval to market such Alnylam Royalty Product.

1.78 "Pre-Existing Alnylam Alliance Agreements" means the agreements set forth in Schedule 1.78.

1.79 "Product Trademarks" means the trademark(s), service mark(s), accompanying logos, trade dress and/or indicia of origin used in connection with the distribution, marketing, promotion and sale of Royalty Products in the Territory. For purposes of clarity, the term Product Trademark(s) shall not include, without limitation, the corporate names and logos of either Party, and shall include any internet domain names incorporating such Product Trademarks.

1.80 "Quality Agreement" means an agreement or agreements to be entered into between the Parties containing quality assurance provisions for the Manufacture by Tekmira, its permitted Affiliates or their respective permitted subcontractors, for Alnylam, of the finished dosage form of Alnylam Royalty Products pursuant to the Manufacturing Plan.

1.81 "Regulatory Approval" means any and all approvals, licenses, registrations or authorizations of any Regulatory Authority, necessary for the Commercialization of a Royalty Product, including the approval of NDAs.

1.82 "Regulatory Authority" means any applicable government regulatory authority involved in granting approvals for the Research, Development, Manufacturing, Commercialization, reimbursement and/or pricing of a Royalty Product in the Territory, including without limitation the FDA.

1.83 "Related Party" means a Party's Affiliates and permitted Sublicensees, which term does not include wholesale distributors of the Party or its Affiliates who purchase Royalty Products from such Party or its Affiliates in an arm's -length transaction and who have no other obligation, including without limitation a reporting obligation, to such Party or its Affiliates.

1.84 "Research" or "**Researching"** means identifying, evaluating, validating and optimizing RNAi Products (and/or miRNA Products in the case of Alnylam).

1.85 "Research Plan" means the detailed written plan of work for the Collaboration for a given Contract Year of the Collaboration Term, as approved and updated by the Joint Research Committee as necessary during the Collaboration Term pursuant to Sections 3.1.1 and 4.1.

1.86 "Research Program Product" means the Formulations that are related to RNAi Product(s) and/or miRNA Product(s) developed under the Research Plan under this Agreement and/or under the R&D Research Plan (as defined in the Protiva License Agreement) for which Alnylam or its Affiliate has established an Active Internal Development Program.

1.87 "RNAi Product" means a product containing, comprised of or based on siRNAs or siRNA derivatives or other double-stranded moieties effective in gene function modulation and designed to modulate the function of particular genes or gene products by causing degradation through RNA interference of a Target mRNA to which such siRNAs or siRNA derivatives or moieties are complementary.

1.88 "Royalty Payor" means, in relation to (a) an Alnylam Royalty Product, Alnylam, and (b) a Tekmira Royalty Product, Tekmira.

1.89 "Royalty Product" means, either (a) an Alnylam Royalty Product, or (b) a Tekmira Royalty Product.

1.90 "Royalty Recipient" means, in relation to (a) an Alnylam Royalty Product, Tekmira, and (b) a Tekmira Royalty Product, Alnylam.

1.91 "Selection Term" means the period commencing on the Original Effective Date and continuing for five (5) Contract Years of the Agreement Term thereafter, unless such period is extended pursuant to the terms of Section 2.2.

1.92 "Significant Pharmaceutical Company" means a pharmaceutical company, biotechnology company, or group of such companies acting in concert, with annual sales of human pharmaceutical products greater than [**].

1.93 "Small Interfering RNA" or **"siRNA"** means a double-stranded ribonucleic acid (RNA) composition designed to act primarily through an RNA interference mechanism that consists of either (a) two separate oligomers of native or chemically modified RNA that are hybridized to one another along a substantial portion of their lengths, or (b) a single oligomer of native or chemically modified RNA that is hybridized to itself by self-complementary base-pairing along a substantial portion of its length to form a hairpin.

1.94 "Sublicensee" means a Third Party to whom a Party grants a sublicense permitted under this Agreement under any Alnylam RNAi Technology, Alnylam IOC Technology, Alnylam Lipidoid Patent Rights, Tekmira Technology, Tekmira IOC Technology (to the extent permitted for purposes of the Collaboration only) or Collaboration IP (or a license in the case of Joint Collaboration IP), as the case may be, to Research, Develop, Manufacture or Commercialize a Royalty Product in the Territory and in (a) the Alnylam Field, in the case of Alnylam Royalty Products and Tekmira Development Products or (b) the Tekmira IOC Field, in the case of Tekmira IOC Products, in each case subject to Sections 6.1.1(b) or 6.2, or otherwise grants rights to distribute, promote or sell a Royalty Product.

1.95 "Supply Agreement" means that certain Manufacturing and Supply Agreement between the Parties dated February 7, 2007.

1.96 "Target" means: (a) a polypeptide or entity comprising a combination of at least one polypeptide and other macromolecules, that is a site or potential site of therapeutic intervention by a therapeutic agent; or a nucleic acid which is required for expression of such polypeptide; (b) variants of a polypeptide, cellular entity or nucleic acid described in clause (a); (c) a defined non-peptide entity, including a microorganism, virus, bacterium or single cell parasite; provided that the entire genome of a virus shall be regarded as a single Target; or (d) a naturally occurring interfering RNA or miRNA or precursor thereof.

1.97 "Target-Specific Claim" means a claim in an issued or pending patent that recites one or more specified Particular Moiety(ies).

1.98 "Tax Convention" means the Canada-US Tax Convention (1980), as amended.

1.99 "Tekmira" means Tekmira Pharmaceuticals Corporation.

1.100 "Tekmira Collaboration IP" means (a) any improvement, invention, discovery, Know-How or other Intellectual Property Right, patentable or otherwise, first identified, invented, discovered or developed by employees of Tekmira or its Affiliates or other persons (other than Protiva) not employed by Alnylam acting on behalf of Tekmira, in the performance of the Collaboration, the Manufacturing Activities, and/or Tekmira's obligations under the Original INEX Agreements, and (b) any Patent Rights in the Territory which claim, cover or relate to such improvements, discoveries or Know-How. Tekmira Collaboration IP excludes Tekmira's interest in Joint Collaboration IP.

1.101 "Tekmira In-License" means an agreement between Tekmira or its Affiliates, and a Third Party, pursuant to which Tekmira or any of its Affiliates Control(s) Tekmira Technology relating to the Alnylam Field under a license or sublicense from such Third Party, including without limitation, the Existing Tekmira In-Licenses.

1.102 "Tekmira IOC Field" means the treatment, prophylaxis and diagnosis of diseases in humans using an IOC Product.

1.103 "Tekmira IOC Technology" means (a) Know-How and other Intellectual Property Rights with respect to IOC Products and/or IOCs that are either (i) Controlled by Tekmira or its Affiliates on the Original Effective Date, or (ii) come within the Control of Tekmira or its Affiliates after the Original Effective Date, and (b) Patent Rights that (i) claim (x) such Know-How or other Intellectual Property Rights, or (y) the identification, characterization, optimization, construction, expression, formulation, delivery, use or production of an IOC Product and/or IOC, and that are useful or necessary to Research, Develop, Commercialize and/or Manufacture IOC Products in the Tekmira IOC Field in the Territory, and (ii) are Controlled by Tekmira or its Affiliates.

1.104 "Tekmira Know-How" means Know-How with respect to an RNAi Product or miRNA Product (excluding any Tekmira Collaboration IP, Tekmira's interest in Joint Collaboration IP and any such Know-How sublicensed to Alnylam pursuant to the UBC Sublicense) that (a) is Controlled by Tekmira or its Affiliates on the Original Effective Date, or (b) comes within the Control of Tekmira or its Affiliates following the Original Effective Date.

1.105 "Tekmira Patent Rights" means Patent Rights that (a) claim (i) Tekmira Know-How, or (ii) the identification, characterization, optimization, construction, expression, formulation, delivery, use or production of an RNAi Product or miRNA Product, and that are useful or necessary to Research, Develop, Commercialize and/or Manufacture RNAi Products or miRNA Products in the Alnylam Field in the Territory, and (b) are Controlled by Tekmira or its Affiliates at any time during the Agreement Term (excluding any Patent Rights included in Tekmira Collaboration IP, Tekmira's interest in Joint Collaboration IP and any such Patent Rights licensed to Alnylam pursuant to the UBC Sublicense).

1.106 "Tekmira Royalty Product" means any (a) Tekmira Development Product that, but for the licenses granted hereunder, would be Covered by one or more Valid Claims under the Alnylam Core Patent Rights or the Alnylam Lipidoid Patent Rights, or (b) IOC Product that but for the licenses granted hereunder, would be Covered by one or more Valid Claims under the Alnylam IOC Technology.

1.107 "Tekmira Technology" means, collectively, Tekmira Know-How and Tekmira Patent Rights.

1.108 "Tekmira-UBC License Agreement" means that certain license agreement between Tekmira and the University of British Columbia ("UBC") dated effective July 1, 1998, as amended by Amendment Agreement between Tekmira and UBC dated effective July 11, 2006, and Second Amendment Agreement dated effective the Original Effective Date.

1.109 "Territory" means all of the countries in the world, and their territories and possessions.

1.110 "Third Party" means an entity other than a Party and its Affiliates.

1.111 "Third Party Liposome Patent Rights" means with respect to an Alnylam Royalty Product, (a) the Alnylam Lipidoid Patent Rights and/or (b) other technology comprising a lipid component or liposomal formulation useful or necessary for the Research, Development, Manufacture or Commercialization of such Alnylam Royalty Product and Controlled by Alnylam under a license from a Third Party, and in each case with respect to which Intellectual Property Rights Alnylam has granted to Tekmira a non-exclusive, royalty- and milestone fee-bearing (on a pass-through basis) license to Research, Develop, Manufacture and Commercialize Tekmira Royalty Products in the Alnylam Field in the case of Tekmira Development Product, and in the Tekmira IOC Field in the case of IOC Products.

1.112 "Transaction Documents" means the Alnylam Subscription Agreement, the Supply Agreement, the Quality Agreements, the Tekmira-UBC License Agreement, the UBC Sublicense Documents, the Loan Agreement, all letter agreements and other documents executed by the Parties on or about the Original Effective Date in connection with the Original Agreement, and any other documents or agreements that are executed by the Parties after the Original Effective Date as contemplated by this Agreement.

1.113 "UBC Sublicense Documents" means the collective reference to (a) the Sublicense Agreement dated as of the Original Effective Date between the Parties (the "UBC Sublicense"), (b) the Consent and Agreement dated as of the Original Effective Date among the Parties and UBC, and (c) the Assignment dated the Original Effective Date between Tekmira and UBC.

1.114 "Valid Claim" means a claim of: (a) an issued and unexpired Patent Right, which claim has not been revoked or held unenforceable, unpatentable or invalid by a decision of a court or other governmental agency of competent jurisdiction that is not appealable or has not been appealed within the time allowed for appeal, and which has not been abandoned, disclaimed, denied or admitted to be invalid or unenforceable through reissue, re-examination or disclaimer or otherwise, or (b) a patent application for a patent included within the Patent Rights a claim of which has been pending less than five (5) years and which claim has not been cancelled, withdrawn or abandoned or finally rejected by an administrative agency action from which no appeal can be taken.

1.115 Additional Definitions. The following terms have the meanings set forth in the corresponding Sections of this Agreement:

Term	Section
"AAA"	12.6.1
"Agreement Term"	11.1
"Alnylam Class 1 Royalty Products"	6.1.1(b)(i)
"Alnylam Class 2 Royalty Products"	6.1.1(b)(ii)
"Alnylam Data"	3.2(e)
"Alnylam Indemnitees"	9.5.1
"Alnylam Subscription Agreement"	Recitals
"Bankrupt Party"	11.3
"Breaching Party"	11.2.1(a)
"Code"	11.3
"Collaboration"	3.1.1
"Condition Satisfaction Date"	11.1
"Closing"	Recitals
"CRT Agreement"	6.5.1
"Dispute"	12.6.1
"Effective Date"	11.1
"Equipment"	3.4
"Escrow Agreement"	Recitals
"Excluded Claim"	12.6.1
"Follow-On Product"	7.2(d)
"FTO Notice"	6.9(a)
"Indemnitee"	9.5.3
"INEX"	Preamble
"Infringement Claim"	10.4.1
"Losses"	9.5.1
"Manufacturing Activities Committee"	4.1
"[**] Entities"	Recitals
"[**] Restriction"	6.2.3
"[**]"	Recitals
"miRNA"	Preamble
"More Favorable Terms"	6.9(a)(ii)
"Non-Bankrupt Party"	11.3
"Non-Breaching Party"	11.2.1(a)
"Novartis"	1.68
"Opportunity Response Period"	6.9(b)(i)
"Original Agreement"	Recitals
"Original Effective Date"	Recitals
"Original Protiva License Agreement"	Recitals
"Permitted Investor"	12.17.1(c)
"Platform License"	6.9(a)
"Post-IND Opportunity Response Period"	6.9(b)(i)
"Product Notice"	6.9(b)
"Project Manager"	4.1

"Prosecuting Party"	10.2.4(e)
"Protiva"	Recitals
"Protiva License Agreement"	Recitals
"Purchase Agreement"	Recitals
"Region"	11.2.2
"Responsible Party"	10.4.3
"Restricted Joint Invention"	3.7.4
"Restriction Period"	3.7.1
"RNAi"	Preamble
"Roche"	Recitals
"Roche-Nutley"	6.2.2(c)
"Roche Sublicensees"	6.2.2(c)
"Roche Subscription Agreement"	Recitals
"Shares"	7.1
"SPC"	10.7
"Stanford Agreement"	6.5.1
"Successful Product"	7.2(d)
"Target Response Notice"	2.2
"Tekmira Development Product"	2.1
"Tekmira Development Target"	2.1
"Tekmira Facilities Option"	3.7.2
"Tekmira Indemnitees"	9.5.2
"Tekmira In-License Provisions"	6.4(a)
"Tekmira IOC Product"	6.9(b)(i)
"Tekmira Patent"	11.5(a)
"UBC"	1.108
"UBC Sublicense"	1.113

2. TEKMIRA DEVELOPMENT TARGETS.

2.1 Tekmira Development Targets. During the Selection Term, and subject to the terms and conditions of this Agreement and Alnylam's right to grant rights thereto at the time of selection, Tekmira may select up to three (3) Targets with respect to which Tekmira shall Research, Develop, Manufacture and Commercialize RNAi Products directed to such Target under its license to the Alnylam Core Patent Rights and Alnylam Lipidoid Patent Rights pursuant to Section 6.1.2(a) (each such Target, a "Tekmira Development Target", and each such RNAi Product, a "Tekmira Development Product"). For clarity, the Parties acknowledge that the three (3) Tekmira Development Targets shall be in addition to the PLK Target and the three Protiva Development Targets that are among the subjects of the Protiva License Agreement. The Parties acknowledge that the selection of each Tekmira Development Target is subject to Novartis' right of first offer under the Novartis Agreement and to other Alnylam obligations to Third Parties.

2.2 Selection Process. The following process shall apply to the selection of Tekmira Development Targets. Tekmira shall initially notify Alnylam in writing of the NCBI Gene ID number (or, if a NCBI Gene ID number is not available, the specific sequence of the proposed Target) of each Target nominated by Tekmira for selection as a Tekmira Development Target. Prior to nominating a Target to Alnylam, Tekmira shall possess bona fide data regarding the validation of such Target for

potential therapeutic modulation by siRNAs. Within [**] following Alnylam's receipt of a notice nominating a Target, Alnylam shall notify Tekmira in writing (a "Target Response Notice") whether such Target is either: (a) subject to a contractual obligation to a Third Party that would be breached by the inclusion of such Target as a Tekmira Development Target under this Agreement, or (b) determined by Alnylam after its review in good faith of its ongoing or planned scientific and/or business activities and strategy to be a Target of interest to Alnylam. If neither of these criteria apply, the Target shall be considered to have been successfully nominated as a Tekmira Development Target. Alnylam shall use Commercially Reasonable Efforts consistent with the terms of the Novartis Agreement to obtain Novartis' consent to the selection by Tekmira of such Target as a Tekmira Development Target under this Agreement, and shall notify Tekmira in writing as to whether or not such Target is available for license hereunder. If a Target submitted to Alnylam is not so available for license as a Tekmira Development Target, then Tekmira may nominate an additional Target as a Tekmira Development Target, until an aggregate of three (3) Tekmira Development Targets have been identified and approved for selection pursuant to the foregoing procedure; provided, that Tekmira may not submit more than three (3) proposed Targets (in addition to any Protiva Development Targets or candidate Protiva Development Targets submitted under the Protiva License Agreement) to Alnylam for evaluation pursuant to the foregoing procedure in any single Calendar Quarter. Any Target approved for selection pursuant to the foregoing procedure shall be a Tekmira Development Target. If upon the expiration of the Selection Term all three (3) Tekmira Development Targets have not been approved for selection pursuant to the foregoing procedure, then the Selection Term shall be extended until the earlier of (i) the date on which an aggregate of three (3) Tekmira Development Targets have been so identified and approved for selection and (ii) the [**] anniversary of the Original Effective Date. For clarity, notwithstanding the number of Targets evaluated by Alnylam for availability for selection as a Tekmira Development Target, Tekmira shall not be entitled to more than three (3) Tekmira Development Targets.

3. COLLABORATION

3.1 Collaboration.

3.1.1 Collaboration and Research Plan. During the Collaboration Term Alnylam and Tekmira shall use Commercially Reasonable Efforts to collaborate in the research, development and process (and analytical methods) development of liposomal formulations of RNAi Products, miRNA Products and IOC Products, as specifically set forth in the Research Plan (such activities, are referred to as the "Collaboration"). The JRC has agreed upon a detailed Research Plan for the Collaboration for the full twelve-months of the first Contract Year of the Collaboration Term. Attached to this Agreement as Schedule 3.1 is an updated Research Plan for the second Contract Year of the Collaboration Term, which Research Plan shall be updated quarterly by the JRC during the remainder of the Collaboration Term. The Parties shall update, and the JRC shall approve in accordance with Section 4.1, updates to the Research Plan for each Contract Year thereafter (if any) during the Collaboration Term.

3.1.2 FTEs and Collaboration Funding. Tekmira agrees to provide up to [**] FTEs in each Contract Year of the Collaboration Term to perform its obligations under the Collaboration as provided in the Research Plan. The use of additional FTEs will be subject to approval by the JRC. Alnylam shall fund the Collaboration in accordance with Section 7.5.1.

3.2 Information Exchange. Subject to and in accordance with the provisions of Article 6, as set forth below:

(a) Within three (3) months after the Effective Date and on an ongoing basis during the Agreement Term Tekmira shall disclose to Alnylam all Tekmira Technology that is Controlled by Tekmira or its Affiliates as of the Original Effective Date and/or during the Agreement Term, and all Collaboration IP that, in each case, has not been previously disclosed, and shall update such disclosure at least once each Calendar Quarter;

(b) During the Collaboration Term, through the JRC, Tekmira shall disclose to Alnylam Tekmira IOC Technology Controlled by Tekmira on the Original Effective Date and/or during the Collaboration Term, as and to the extent Tekmira determines, in its reasonable judgment, that such Tekmira IOC Technology is necessary or useful for Alnylam's performance of its obligations under the Collaboration with respect to IOC Products;

(c) During the Collaboration Term, through the JRC, Alnylam shall disclose to Tekmira (i) all Alnylam IOC Technology, Alnylam Collaboration IP and Joint Collaboration IP that, in each case, has not been previously disclosed, and shall update such disclosure at least once each Calendar Quarter with regard to Alnylam Collaboration IP and Joint Collaboration IP;

(d) During the Collaboration Term, through the JRC, Alnylam shall disclose to Tekmira Alnylam RNAi Technology as and to the extent Alnylam determines, in its reasonable judgment, that such Alnylam RNAi Technology is necessary or useful for Tekmira's performance of its obligations under the Collaboration and Manufacturing Activities with respect to Alnylam Royalty Products;

(e) Promptly after the Effective Date and on an ongoing and timely basis thereafter during the Research Term, Alnylam shall (unless otherwise requested by Tekmira in any instance or instances) disclose to Tekmira data generated by Alnylam using any of the materials or chemical compounds provided by Tekmira to Alnylam for use in furtherance of the conduct of the Collaboration ("Alnylam Data"); and

(f) Each Party shall make available its employees, consultants and subcontractors engaged in the performance of its obligations under the Collaboration and/or the Manufacturing Activities upon reasonable notice during normal business hours to consult with the other Party with respect to the Collaboration and/or the Manufacturing Activities, as coordinated through the Project Managers or such other individual of a Party as may be designated by such Party and consistent with the resource requirements specified in the Research Plan and/or the Manufacturing Plan.

3.3 Alnylam Materials for Collaboration. Unless the Parties otherwise agree in writing, Tekmira will supply, in accordance with the relevant approved raw material specifications, all materials to be used by Tekmira in the performance of its obligations under the Collaboration other than the Alnylam Materials listed in the Research Plan. Alnylam or its designees will provide Tekmira with the Alnylam Materials listed in the Research Plan. Except as explicitly authorized in writing by Alnylam, all Alnylam Materials delivered to Tekmira shall remain the sole property of Alnylam. Tekmira agrees (a) to account for all Alnylam Materials, (b) not to provide Alnylam Materials to any Third Party (other than to subcontractors of Tekmira permitted under Section 3.5) without the express prior written consent of Alnylam, (c) not to use Alnylam Materials for any

purpose other than performing its obligations under the Collaboration, including, without limitation, not to analyze, characterize, modify or reverse engineer any Alnylam Materials or take any action to determine the structure or composition of any Alnylam Materials unless required to perform its obligations under the Collaboration, and (d) to destroy or return to Alnylam all unused quantities of Alnylam Materials according to Alnylam's written directions. The Alnylam Materials supplied for use in the Collaboration must be used with prudence and appropriate caution in any experimental work, since not all their characteristics may be known; however, Alnylam shall notify Tekmira of any health hazards of which it is or becomes aware relating to the use or handling of the Alnylam Materials.

3.4 Alnylam Equipment for Collaboration. Unless otherwise agreed by the Parties in writing, Tekmira will supply all equipment and machinery necessary to perform its obligations under the Collaboration ("Equipment"). If Alnylam or its designees provide Tekmira with Equipment, (a) such Equipment will not be used by Tekmira except in performance of its obligations under the Collaboration under this Agreement, (b) title to such Equipment will remain with Alnylam, (c) Tekmira will ensure that such Equipment is properly labeled as Alnylam property and remains free and clear of any liens or encumbrances, (d) Tekmira will install the Equipment in a manner which will permit its removal without material injury to the place of installation and (e) the Equipment shall be installed at Tekmira's or Protiva's facility located in British Columbia, Canada, and shall be maintained and used at such and not elsewhere without the prior written consent of Alnylam. At Alnylam's written request, such Equipment will be returned to Alnylam, or to Alnylam's designee. Tekmira will be responsible, at its own cost, for maintenance of such Equipment; provided, however, that Alnylam shall be responsible for: (i) ensuring all Equipment provided by Alnylam is in good working order at the time of delivery to Tekmira, and (ii) unless otherwise agreed by the Parties, performing equipment qualification and calibration prior to either Party's use of such Equipment at Tekmira's premises. Tekmira shall not be required to purchase spare parts for the Equipment. To the extent Alnylam provides spare parts for such Equipment, such spare parts will remain the property of Alnylam and will be used by Tekmira only for maintenance of such Equipment. Tekmira will immediately notify Alnylam if at any time it believes any such Equipment has been damaged, lost or stolen.

3.5 Subcontractors and Third Party Research Collaborations. (a) Tekmira may utilize the services of Affiliates or Third Party contractors to perform its obligations under the Collaboration only as specified in the Research Plan or with the prior written approval of the JRC; provided that (i) prior to the expiration of the Restriction Period, Tekmira may not, under any circumstances, subcontract any aspect of its obligations under the Research Plan or the Collaboration to Protiva without Alnylam's prior written consent, which consent shall not be unreasonably withheld or delayed; (ii) Tekmira shall remain at all times fully liable for its responsibilities under this Agreement; and (iii) Tekmira's agreement with any permitted subcontractor provides Alnylam the same rights under this Agreement as if Tekmira had done the work itself, and any such agreement shall include confidentiality and non-use provisions which are no less stringent than those set forth in Article 8 of this Agreement.

(b) In addition, the Parties agree that it may be necessary or useful to enter into Third Party collaborations which provide technology, information, data or know-how, patentable or otherwise, which are necessary or useful for Tekmira and/or Alnylam to perform its obligations under the Collaboration. Such Third Party collaborations shall not conflict with the terms and conditions of this Agreement. In the event that any such Third Party collaborations are contemplated in connection with

the Collaboration, the JRC shall discuss, subject to Third Party confidentiality obligations, and agree upon entering into such Third Party collaborations, and the Research Plan shall be amended to include such Third Party collaborations. The Parties shall use good faith efforts to ensure that, to the extent possible, all such Third Party collaborations shall provide that any and all data and results, discoveries and inventions, whether patentable or not, arising out of the Third Party collaboration may be used by bona fide collaborators of the Party entering into the Third Party collaboration agreement and shall include confidentiality and non-use provisions which are no less stringent than those set forth in Article 8 of this Agreement. In addition, the Party entering into such Third Party collaborations shall use Commercially Reasonable Efforts to obtain a right to sublicense to the other Party and its Related Parties any Intellectual Property Rights arising out of the Third Party collaboration.

3.6 Records. Each Party shall maintain scientific records, in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which shall fully and properly reflect all work done and results achieved in the performance of the Collaboration. Alnylam shall have the right, during normal business hours and upon reasonable notice, to inspect and copy (or request Tekmira to copy) all records of Tekmira maintained in connection with the work done and results achieved in the performance of the Collaboration to the extent such records relate to Alnylam Royalty Products. Tekmira shall have the right, during normal business hours and upon reasonable notice, to inspect and copy (or request Alnylam to copy) all records of Alnylam maintained in connection with the work done and results achieved in the performance of the Collaboration to the extent such records relate to IOC Products. All such records and the information disclosed therein shall be maintained in confidence in accordance with Article 8.

3.7 Separate Conduct of Certain Activities by Tekmira and Protiva.

3.7.1 Separate Conduct. Immediately upon the effective date of the Purchase Agreement and through [**] (the "Restriction Period"), Tekmira has taken and will take all steps necessary to ensure, to the maximum extent practicable, that there was and is no collaboration between, or joint inventive work conducted by, Tekmira and Protiva under the Research Plan or the Manufacturing Plan, or under the Second Target Research Plan, the PLK Research Plan or the R&D Research Plan (as each such term is defined in the Protiva License Agreement), or any activities contemplated thereunder, [**]. Such steps shall include, without limitation, the requirement that during the Restriction Period, Tekmira has maintained and shall maintain research and manufacturing operations that are separate from the research and manufacturing operations of Protiva for all activities under the Research Plan, the Manufacturing Plan, the Second Target Research Plan, the PLK Research Plan and the R&D Research Plan (as each such term is defined in the Protiva License Agreement), and has ensured and shall ensure that the Tekmira personnel who work on the Research Plan or the Manufacturing Plan did not and do not undertake research or Manufacturing activities with or for Protiva under the Second Target Research Plan, the PLK Research Plan or the R&D Research Plan.

3.7.2 Common Management; Tekmira Facilities Option. Notwithstanding the requirements of Section 3.7.1, during the Restriction Period (a) Tekmira and Protiva may (i) have common management in the form of one person who serves as CEO of both companies, (ii) have interlocking boards of directors, and (iii) share with each other or loan to each other specific items of equipment and/or other tangible and intangible assets (but not human resources, other than administrative personnel not involved in Research, Development or Manufacturing activities); and (b) Protiva may use Tekmira's physical facilities solely to Manufacture (i) at Alnylam's sole discretion, a

product formulation developed by Protiva for Alnylam under the Protiva License Agreement; or (ii) upon mutual written agreement of Alnylam, Tekmira and Protiva, an RNAi Product directed to the PLK Target (as such terms are defined under the Protiva License Agreement) ("Tekmira Facilities Option").

3.7.3 Notification. During the period from the Effective Date through [**], Tekmira shall notify Alnylam in writing within thirty (30) days after conception of any intellectual property conceived by Tekmira or Protiva (or their employees or consultants) prior to [**], with respect to which Alnylam has or should have a license under this Agreement, the UBC Sublicense or the Protiva License Agreement, it being understood that such notice as to the period from the end of the Restriction Period through [**] will be for informational purposes only.

3.7.4 Violations, Penalties. In the event that any joint invention is made (i) by inventor(s) who are employees or consultants of Tekmira and inventor(s) who are employees or consultants of Protiva during the Restriction Period, (ii) due to or in respect of the conduct of Protiva and/or Tekmira during the Restriction Period and (iii) without any inventive contribution from Alnylam or communication by or through Alnylam of any information or materials from Protiva or Tekmira to the other in a manner that is material to the determination of inventorship (any such joint invention is hereinafter referred to as a "Restricted Joint Invention"), with the result that any rights to such Restricted Joint Invention are licensed to [**] (or would have been so licensed to [**] as they existed on the Effective Date), then, except and solely to the extent that any such Restricted Joint Invention arises from Manufacturing performed by Protiva at a Tekmira facility as a result of the exercise of the Tekmira Facilities Option:

(a) Tekmira shall cause Protiva to pay to Alnylam any and all royalties and milestone payments received from [**] with respect to the development or commercialization of any product as to which the [**] owed such royalties or milestones due to the Coverage of such product by any claims (whether issued or pending) Covering such Restricted Joint Invention (or that would have been so received from [**] under the terms of the [**] as they existed on the Effective Date);

(b) Alnylam shall have a fully-paid, perpetual, milestone-free, royalty-free, and exclusive (except as to the Merck Entities' rights under the [**]) license to Tekmira's right, title and interest in the Restricted Joint Invention;

(c) Alnylam shall have the unilateral right, exercisable at any time upon written notice to Tekmira, to terminate Alnylam's obligation to retain Tekmira as Alnylam's exclusive manufacturer pursuant to Section 5.1 and the Supply Agreement; and

(d) any and all royalties required to be paid by Alnylam to Tekmira under this Agreement with respect to Alnylam Royalty Products Covered by the Exclusively Licensed Tekmira IP shall be reduced by [**].

4. JOINT RESEARCH COMMITTEE.

4.1 Joint Research Committee and Project Managers. As soon as practicable after the Original Effective Date the Parties established a Joint Research Committee with authority to approve the initial Research Plan, review for approval the annual update to such Research Plan, coordinate the

conduct of activities under the Collaboration, and the Manufacturing Activities, approve the initial Manufacturing Plan, review for approval the quarterly update to such Manufacturing Plan, coordinate the conduct of activities under the Manufacturing Plan, and generally facilitate communication between the Parties. The JRC shall consist of two (2) representatives of each Party, together with such other personnel of a Party as such Party deems reasonably necessary to accomplish the objectives of this Agreement. Each Party shall also designate a "Project Manager". The Project Managers will be responsible for the day-to-day coordination of the Collaboration and the Manufacturing Activities, and will serve to facilitate communication between the Parties. Each Party may change its designated Project Manager from time to time upon written notice to the other Party. The JRC shall be empowered to create subcommittees of itself, including without limitation, a committee to oversee Manufacturing Activities (the "Manufacturing Activities Committee"), as it may deem appropriate or necessary. The Manufacturing Activities Committee shall consist of representatives of the Parties' manufacturing and quality assurance departments. Each such subcommittee shall report to the JRC, which shall have the authority to approve or reject recommendations or actions proposed thereby subject to the terms of this Article 4.

4.2 Meetings. The JRC shall meet in accordance with schedules established by mutual written agreement of the Parties, but no less frequently than once per Contract Quarter during the Collaboration Term, with the location for such meetings alternating between Alnylam and Tekmira facilities (or such other locations as are determined by the JRC). Alternatively, the JRC may meet by means of teleconference, videoconference or other similar communications equipment, but at least two (2) meetings per Calendar Year shall be conducted in person. Each Party shall bear its own expenses relating to attendance at such meetings by its representatives. With respect to decisions of the JRC, the representatives of each Party shall have collectively one vote on behalf of such Party. For each meeting of the JRC, at least one (1) representative of each Party shall constitute a quorum. Action on any matter may be taken at a meeting, by teleconference, videoconference or by written agreement.

4.3 Minutes. A secretary shall be appointed for each meeting and shall prepare minutes of the meeting, which shall provide a written description in reasonable detail of the discussions held at the meeting and a list of any actions, decisions or determinations approved by the JRC.

4.4 Disputes. The JRC shall attempt to resolve any and all disputes relating to this Agreement by consensus; provided, that the Manufacturing Activities Committee (if it exists at the relevant time) shall first attempt to resolve any and all disputes relating to the Manufacturing Activities (if necessary or appropriate, by reference to the Supply Agreement and the applicable Quality Agreement, including without limitation, the batch evaluation, acceptance and rejection procedures and standards set forth therein), and failing resolution by the Manufacturing Activities Committee, the JRC shall attempt to resolve such dispute. If the JRC is unable to reach a consensus with respect to a dispute, then the dispute shall be submitted to escalating levels of Tekmira and Alnylam senior management for review. If such dispute cannot be resolved despite escalation, then the Chief Executive Officers of Alnylam and Tekmira shall attempt to resolve such dispute. In the event that the Chief Executive Officers cannot reach an agreement regarding such dispute within thirty (30) days after submission to them for resolution, then:

(a) If the dispute is one over which the JRC has authority pursuant to Section 4.1, then Alnylam shall have final decision-making authority; provided, however, that Alnylam may not, without Tekmira's consent, increase Tekmira's obligation during the Collaboration Term to provide FTEs to perform its obligations under the Collaboration in excess of [**] FTEs per Contract Year of the Collaboration Term; and

(b) With respect to all other disputes between the Parties, the dispute resolution provisions of Section 12.6 shall apply.

Notwithstanding the foregoing, if the dispute between the Parties is over the reasonable comparability of the factors described in Section 5.1(a)(ii) and the Manufacturing Activities Committee cannot agree within five (5) Business Days after submission of the bona fide Third Party quote to the Manufacturing Activities Committee, then the Parties shall not refer the matter to the JRC but rather to an independent Third Party manufacturing consultant reasonably acceptable to the Parties and the Parties shall cause such independent Third Party to render his/her decision as soon as possible but no later than fifteen (15) Business Days after submission, which decision shall be binding on the Parties.

5. MANUFACTURING

5.1 Manufacturing and Supply.

(a) Exclusive Manufacturing Obligations. Alnylam hereby retains Tekmira, on a product-by-product basis, as Alnylam's exclusive manufacturer to Manufacture and supply Alnylam's requirements of the bulk finished dosage form of each Alnylam Royalty Product formulated using Tekmira Technology, and/or Alnylam Technology, including, without limitation, the Third Party Liposome Patent Rights, in each case for toxicology and other non-clinical studies and clinical development, through the completion of all Phase II Studies of such Alnylam Royalty Product that are initiated prior to the initiation of the first Phase III Study of such Alnylam Royalty Product; provided, however, that such exclusive supply engagement shall only apply during the Manufacturing Term and shall not apply to any Alnylam Royalty Product (on a product-by-product basis):

(i) that Tekmira cannot or will not Manufacture and supply (or is not or will not be able to Manufacture and supply), to Alnylam's reasonable satisfaction, (x) at the requisite scale, in sufficient quantities, within requisite timelines based on Alnylam's actual and/or planned development program for such Alnylam Royalty Product and in accordance with the applicable product master batch record, specifications and other quality requirements for such Alnylam Royalty Product as set forth in the Supply Agreement and the applicable Quality Agreement, (y) in accordance with all applicable laws and regulations, including without limitation the requirements of cGMP, and (z) using a facility with respect to which Tekmira or its permitted subcontractor has obtained approval from the applicable Regulatory Authorities to Manufacture and supply such Alnylam Royalty Product; or

(ii) with respect to which Alnylam would be required to pay Tekmira an amount per batch of the bulk finished dosage form of such Alnylam Royalty Product that is [**] greater than the cost per batch for the Manufacture of such finished dosage form as quoted in a bona fide offer received by Alnylam from a Third Party; provided, that the specifications for such finished dosage form, and the batch size, quantity, and quality of product would be at least reasonably comparable. In the event that Alnylam would be entitled under this clause (ii) to obtain its requirements of the finished dosage form of an Alnylam Royalty Product from a Third Party, then prior to Alnylam engaging such Third Party for such services Tekmira may submit a revised per batch price quote for

*** Confidential Treatment Requested.**

such finished dosage form and if Tekmira's revised per batch price quote is [**] Third Party's quote, Alnylam shall continue to obtain its supply of such finished dosage form from Tekmira in accordance with this Article 5.

Moreover, Alnylam may obtain supply of the bulk finished dosage form of any Alnylam Royalty Product from a Third Party in such amounts as may be required in order to qualify and maintain such Third Party as a "backup" supplier as part of Alnylam's prudent supply chain management policies; provided, however, that so long as Tekmira is able to comply with the requirements set forth in this Section 5.1(a), Tekmira shall continue to be Alnylam's primary supplier. For purposes of determining whether Tekmira is able to comply with the requirements of this Section 5.1(a), the capabilities of Tekmira and its wholly-owned subsidiary Protiva, acting either together or separately, shall be taken into account, and Protiva acting separately will not be considered unable to comply with such requirements solely due to any refusal of Alnylam to approve subcontracting to Protiva pursuant to Section 5.3(b), whether or not such refusal is reasonable.

(b) Alternate Supplier. Tekmira shall, upon Alnylam's written request provided to Tekmira at any time after (i) the Effective Date, identify and reasonably verify the suitability of a Third Party as a "backup" supplier of Alnylam Royalty Products as soon as reasonably possible and/or (ii) [**], establish and qualify a Third Party as a "backup" supplier of Alnylam Royalty Products as soon a reasonably possible, but in no event more than twelve (12) months after receipt of such request; provided, however, that the JRC may agree to extend such time periods. Alnylam shall have the right to propose such "backup" supplier(s) and Tekmira shall have the right to consent to such "backup" supplier(s), which consent shall not be unreasonably withheld or delayed. Within thirty (30) days after the Effective Date Tekmira will deliver to the JRC, for review and approval, an update to the Manufacturing Plan containing a project overview for establishing and qualifying a "backup" supplier. This project overview will include contract manufacturing organization targets, timelines, equipment requirements, and both FTE and out-of-pocket expense estimates. The qualification of a "backup" supplier is not intended in any way to alter Tekmira's rights to Manufacture Alnylam Royalty Products under this Agreement. All internal FTE costs and extraordinary out-of-pocket expenses actually incurred by Tekmira in, and reasonably required, to qualify a "backup" supplier as set forth in this Section 5.1(b) shall be reimbursed by Alnylam (in the case of FTE costs, at the applicable FTE Rate and not to exceed the project overview estimate without the prior approval of the JRC). Tekmira acknowledges and agrees that the FTE Rate reflects Tekmira's fully-loaded costs and expenses in performing its obligations under the project overview portion of the Manufacturing Plan, and that Tekmira is solely responsible for its costs and expenses in performing its obligations thereunder. However, Alnylam agrees to reimburse Tekmira for any extraordinary out-of pocket costs and expenses incurred by Tekmira in performing its obligations under this Section 5.1(b) to the extent that such out-of pocket costs and expenses are approved by the JRC in advance in writing and are reasonable, documented costs and expenses actually and directly incurred by Tekmira.

5.2 Manufacturing Funding. Alnylam shall pay Tekmira for the supply of bulk finished dosage form of Alnylam Royalty Products in accordance with Section 7.5.2.

5.3 Supply Agreement; Subcontracting Restriction; Phase III and Commercial Supply.

(a) The Parties have entered into the Supply Agreement effective the Original Effective Date. The Parties hereby amend the terms of the Supply Agreement by: (i) replacing each reference to "Initial Collaboration Term" in Section 8.1(b) of the Supply Agreement with "Collaboration Term" and (ii) replacing the reference to "Section 5.1(a) or (b)" in Section 14.2 of the Supply Agreement with "Section 5.1(a)(i) or (ii)".

(b) Notwithstanding anything in this Agreement or in the Supply Agreement to the contrary, prior to December 31, 2008, Tekmira may not, under any circumstances, subcontract any aspect of its obligations under the Manufacturing Plan, the Manufacturing Activities or the Supply Agreement to Protiva without Alnylam's prior written consent, which consent shall not be unreasonably withheld or delayed.

(c) The Parties agree to discuss in good faith from time to time Tekmira's Manufacture and supply of Alnylam's requirements of the bulk finished dosage form of Alnylam Royalty Products for Phase III Studies and commercial sale, however, nothing in this Agreement or the Supply Agreement shall be deemed to be a binding obligation of either Party to enter into such a transaction.

5.4 Technology Transfer. If Alnylam elects to Manufacture the finished dosage form of an Alnylam Royalty Product, or to have such finished dosage form Manufactured by a Third Party, in each case as permitted under this Agreement, including without limitation Sections 5.1 above and Sections 11.2.2, 11.4 and 11.6, then Tekmira will provide to Alnylam or its designee, all Manufacturing information, including, without limitation, documentation, technical assistance, and any materials or equipment owned by Alnylam, and cooperation by appropriate employees of Tekmira as Alnylam or its designee may reasonably require in order to Manufacture such finished dosage form. Alnylam will compensate Tekmira for such assistance at the FTE Rate, except in the case of a material breach by Tekmira of this Agreement, the Supply Agreement or a Quality Agreement by Tekmira in which event Tekmira shall provide such assistance free of charge for an appropriate and reasonable period of time.

6. LICENSES

6.1 License Grants.

6.1.1 Alnylam Royalty Products.

(a) **Exclusive Alnylam Royalty Product License**. Subject to the terms and conditions of this Agreement, Tekmira hereby grants to Alnylam an exclusive, royalty-bearing license under and to use the Exclusively Licensed Tekmira IP to Research, Develop, Manufacture and Commercialize Alnylam Royalty Products in the Alnylam Field and in and for the Territory. Such license includes the right to grant sublicenses as provided in Section 6.2 below.

(b) **Non-Exclusive Alnylam Royalty Product Licenses**.

(i) Class 1 Non-Exclusively Licensed Tekmira IP. Tekmira grants to Alnylam a non-exclusive, royalty-bearing license under and to use Class 1 Non-Exclusively Licensed Tekmira IP to Research, Develop, Manufacture and Commercialize Alnylam Royalty Products in the Alnylam Field and in and for the Territory ("Alnylam Class 1 Royalty Products"). Such license includes the right to grant sublicenses as provided in Section 6.2 below.

(ii) Class 2 Non-Exclusively Licensed Tekmira IP. Tekmira grants to Alnylam a non-exclusive, royalty-bearing license under and to use Class 2 Non-Exclusively Licensed Tekmira IP to Research, Develop, Manufacture and Commercialize Alnylam Royalty Products for any Alnylam Target in the Alnylam Field and in and for the Territory ("Alnylam Class 2 Royalty Products"). Such license includes the right to grant sublicenses as provided in Section 6.2 below.

(c) **Collaboration and Manufacturing Activity License**. Subject to the terms and conditions of this Agreement, Alnylam hereby grants Tekmira a non-exclusive, royalty-free license under (i) Alnylam RNAi Technology and Alnylam Collaboration IP and (ii) Alnylam's rights in Tekmira Technology, and Tekmira Collaboration IP, in each case as permitted and solely for the purposes of performing (x) Tekmira's obligations under the Collaboration with respect to Alnylam Royalty Products in accordance with the Research Plan as set forth in Article 3, and (y) the Manufacturing Activities. Such license does not include the right to grant sublicenses except to subcontractors of Tekmira permitted under Sections 3.5 or 5.3(b) or the Supply Agreement.

6.1.2 Tekmira Royalty Products.

(a) **Tekmira Development Product License**. Subject to the terms and conditions of this Agreement, Alnylam hereby grants Tekmira (i) an exclusive, royalty-bearing license under the Alnylam Core Patent Rights, the Alnylam Lipidoid Patent Rights, Alnylam Collaboration IP and Alnylam's interest in Joint Collaboration IP, and (ii) an exclusive, royalty-free license under Alnylam's rights in Tekmira Technology and Tekmira Collaboration IP, in each case to Research, Develop, Manufacture and Commercialize Tekmira Development Products in the Alnylam Field in and for the Territory. Such license includes the right to grant sublicenses as provided in Section 6.2 below.

(b) **Alnylam Data License**. Alnylam grants to Tekmira a perpetual, non-exclusive, royalty-free, worldwide license to use and exploit the Alnylam Data; provided, however, that: (i) Tekmira will, pursuant to Article 8, protect from disclosure any of such Alnylam Data that constitutes Alnylam's Confidential Information and (ii) to the extent any Alnylam Data that constitutes Alnylam's Confidential Information relates to a Particular Moiety (other than a Particular Moiety directed at a Tekmira Development Target), Tekmira will not use or exploit such Alnylam Data, or transfer or sublicense such ALNYLAM Data to any Third Party, for the purposes of Research, Development, or Commercialization of products directed at the Target of such Particular Moiety, except to subcontractors of Tekmira permitted under Section 3.5 or 5.3(b) or the Supply Agreement.

(c) **IOC Product License**. Subject to the terms and conditions of this Agreement, Alnylam hereby grants Tekmira an exclusive, royalty-bearing license under Alnylam's interest in the Alnylam IOC Technology, Alnylam Collaboration IP and Alnylam's interest in Joint Collaboration IP to Research, Develop, Manufacture and Commercialize IOC Products in the Tekmira IOC Field in and for the United States. Such license includes the right to grant sublicenses as provided in Section 6.2 below.

(d) **Collaboration License**. Subject to the terms and conditions of this Agreement, Tekmira hereby grants Alnylam a non-exclusive, royalty-free license under (i) Tekmira Technology and Tekmira Collaboration IP, and (ii) Tekmira IOC Technology that is Controlled by Tekmira on the Original Effective Date and during the Collaboration Term, as permitted and solely for the purposes of performing Alnylam's obligations under the Collaboration with respect to Tekmira Royalty Products in accordance with the Research Plan as set forth in Article 3. Such license does not include the right to grant sublicenses except to subcontractors of Alnylam permitted under Section 3.5.

6.1.3 Royalty Term. Upon expiration of all royalty obligations hereunder all licenses of the Parties under this Article 6 then in effect shall become fully paid-up, perpetual, non-exclusive licenses.

6.2 Sublicenses.

6.2.1 Affiliates. Each Party shall be entitled to grant sublicenses of its rights under this Agreement (and licenses of its rights under and to Joint Collaboration IP) to its Affiliates for so long as such entities remain Affiliates and upon written confirmation by such Affiliates that they agree to be bound by the terms and conditions of this Agreement; provided, however, that (a) Tekmira may not sublicense its rights under this Agreement to perform the Collaboration or to perform Manufacturing Activities to a Tekmira Affiliate of which [**] or more of the outstanding voting securities are owned, controlled or held by a Significant Pharmaceutical Company or by any investment entity affiliated with any such Significant Pharmaceutical Company and (b) any such sublicense shall be subject in all respects to the terms of Section 3.7. If a Party grants a sublicense to its Affiliate: (i) the granting Party unconditionally guarantees the performance of such Affiliate as if such Affiliate were a signatory to this Agreement to the extent the performance or lack of performance is a breach of this Agreement, and (ii) the obligations and liabilities of such Affiliate shall be joint and several and the non-granting Party shall not be obliged to seek recourse against such Affiliate before enforcing its rights against the granting Party. For greater certainty, it is hereby confirmed that any default or breach by such Affiliate of any term of this Agreement will also constitute a default by the granting Party under this Agreement, and the non-granting Party shall be entitled to exercise its rights hereunder, in addition to any other rights and remedies to which the non-granting Party may be entitled.

6.2.2 Alnylam Royalty Products. Alnylam shall be entitled to grant sublicenses of its rights under this Agreement (and licenses under and to its rights in any Joint Collaboration IP) to Third Parties to Research, Develop, Manufacture and Commercialize Alnylam Royalty Products; provided, that:

(a) with respect to any license or sublicense of Alnylam's rights under Section 6.1.1(b)(i), such license or sublicense may only be granted to one or more Third Parties in a Bona Fide Collaboration with Alnylam, but solely within the scope of and for the purposes of such Bona Fide Collaboration, or with respect to the Research, Development, Manufacture and/or Commercialization of Alnylam Class 1 Royalty Products that meet one or more of the following: (i) such Alnylam Class 1 Royalty Product was initially Developed at least to the point of preclinical proof-of-principle by Alnylam in an Active Internal Development Program; (ii) such Alnylam Class 1 Royalty Product is an Alnylam Partnered Product; or (iii) such Alnylam Class 1 Royalty Product is a Research Program Product;

(b) with respect to any license or sublicense of Alnylam's rights under Section 6.1.1(b)(ii), such right to license or sublicense will apply only with respect to the Research, Development, Manufacturing, and/or Commercialization of Alnylam Class 2 Royalty Products that meet one or more of the following:

(x) such Alnylam Class 2 Royalty Product is a Research Program Product; or

(y) such Alnylam Class 2 Royalty Product incorporates the same Formulation as the Lead Formulation of a Research Program Product, whether or not it is directed at the same Target as such Research Program Product, and also meets one or more of the following: (1) such Alnylam Class 2 Royalty Product was initially Developed at least to the point of preclinical proof-of-principle by Alnylam in an Active Internal Development Program; or (2) such Alnylam Class 2 Royalty Product is an Alnylam Partnered Product;

(c) Alnylam may sublicense any and all of its rights under Section 6.1.1(b) to Roche and to Hoffmann-La Roche Inc. ("Roche-Nutley", and together with Roche, the "Roche Sublicensees") pursuant to an agreement substantially in the form set forth in Schedule 6.2.2.

(d) (i) with respect to any sublicense of Alnylam's rights under Sections 6.1.1(a) and/or (b) in respect of any Alnylam Royalty Product for which Tekmira *has not* initiated Manufacturing of batches of finished dosage form for GLP toxicology studies, Alnylam shall use Commercially Reasonable Efforts to facilitate a business discussion between Tekmira and Alnylam's Sublicensee (other than Tekmira or its Affiliates) with respect to the provision of manufacturing services by Tekmira to such Sublicensee, (ii) with respect to any sublicense of Alnylam's rights under Sections 6.1.1(a) and/or (b) in respect of any Alnylam Royalty Product for which Tekmira *has* initiated Manufacturing of batches of finished dosage form for GLP toxicology studies, Alnylam's Sublicensee (other than Tekmira or its Affiliates) shall be required to obtain its requirements of the bulk finished dosage form of such Alnylam Royalty Product from Tekmira on the terms set forth in Article 5, however, Tekmira agrees to negotiate in good faith with Alnylam and/or Alnylam's Sublicensee either an alternate or modified supply arrangement or the release of such Sublicensee from such exclusive supply obligation in return for reasonable compensation to Tekmira, and (iii) prior to entering into an InterfeRx License Transaction with a Third Party that includes a license and/or sublicense to Alnylam's rights under Sections 6.1.1(a) and/or (b), Alnylam and Tekmira shall discuss in good faith and agree in writing, on a sublicense-by-sublicense basis, as the case may be, on the portion of any license fees, milestones and/or royalties that would be payable to Tekmira in respect of such sublicense.

(e) In no event shall the provisions of this Section 6.2.2 be construed as requiring Alnylam to enter into any sublicensing transactions with respect to the Tekmira Technology.

(f) For clarity, in no event will the sublicensing restrictions described in Sections 6.2.2(a), (b) or (c) apply to licenses and sublicenses of Alnylam's rights under Section 6.1.1(a). Alnylam may also sublicense any and all of its rights under Section 6.1.1(a) to Protiva under the terms of the Protiva License Agreement. Tekmira acknowledges and agrees that in the case of a sublicense to Protiva, Protiva shall be fully responsible for payment and performance of all obligations under this Agreement pertaining to such sublicense and Tekmira hereby releases Alnylam from any and all obligations and liabilities under this Agreement with respect to such sublicense.

6.2.3 Tekmira Royalty Products. Tekmira shall be entitled to grant sublicenses of its rights under this Agreement (and licenses under and to its rights in any Joint Collaboration IP) to Third Parties to Research, Develop, Manufacture and Commercialize Tekmira Royalty Products to any Third

Party upon prior written notice to Alnylam; provided, however, that (i) in no event may Tekmira or its Affiliates grant a sublicense under any of the Exclusively Licensed Tekmira IP to the [**] (the "[**]") and (ii) in all events, any such sublicense shall be subject to the terms of Section 3.7.

6.2.4 Sublicense Terms. Each license and/or sublicense granted by a Party pursuant to Section 6.2.2 or 6.2.3 shall be subject and subordinate to the terms and conditions of this Agreement and shall contain terms and conditions consistent with those in this Agreement, including, without limitation, the requirements of Section 6.4 below. Agreements with any Commercializing Sublicensee shall contain the following provisions: (a) a requirement that such Sublicensee submit applicable sales or other reports consistent with those required hereunder; (b) an audit requirement similar to the requirement set forth in Section 7.6; and (c) a requirement that such Sublicensee comply with the confidentiality and non-use provisions of Article 8 with respect to both Parties' Confidential Information. Each Party shall at all times be responsible for the performance of its Sublicensees under this Agreement. In the event a granting Party becomes aware of a material breach of any sublicense by a Third Party Sublicensee, the granting Party shall promptly notify the other Party of the particulars of same and take all Commercially Reasonable Efforts to enforce the terms of such sublicense.

6.2.5 Notice. Unless otherwise provided in this Agreement, a Party granting a license and/or sublicense as contemplated in Section 6.2.4 will notify the other Party within ten (10) Business Days after execution of such sublicense and provide a copy of the fully executed license and/or sublicense agreement, as the case may be, to the other Party within the same time frame (with such reasonable redactions as the disclosing Party may make, provided that such redactions do not include provisions necessary to demonstrate compliance with the requirements of this Agreement), which shall be treated as Confidential Information of the disclosing Party; and provided further that Alnylam may disclose such agreement(s) to Third Parties under confidence if and to the extent required in order to comply with Alnylam's contractual obligations under both this Agreement and Third Party agreements.

6.2.6 Survival. Any sublicense contemplated in Section 6.2.4 granted by a Party shall survive termination of the licenses or other rights granted to the sublicensing Party under this Agreement in accordance with this Article 6, and be assumed by the other Party as long as (a) the Sublicensee is not then in breach of its license and/or sublicense agreement, (b) the Sublicensee agrees in writing to be bound to the other Party as a licensor under the terms and conditions of the license and/or sublicense agreement, and (c) the Sublicensee agrees in writing that in no event shall the other Party assume any obligations or liabilities, or be under any obligation or requirement of performance, under any such license and/or sublicense extending beyond such other Party's obligations and liabilities under this Agreement.

6.3 Joint Collaboration IP. Subject to the rights granted each Party under this Agreement, each Party shall have the right to use, sell, keep, license or assign its interest in Joint Collaboration IP and otherwise undertake all activities a sole owner might undertake with respect to such Joint Collaboration IP without the consent of and without accounting to the other Party.

6.4 In-Licenses. (a) (i) All licenses and other rights granted to Tekmira under this Article 6 are subject to the rights granted to Alnylam under the Existing Alnylam In-Licenses and are also subject to and limited to the extent of, the rights Alnylam has granted and is required to grant to Third Parties pursuant to the Pre-Existing Alnylam Alliance Agreements. All licenses and other rights granted to Alnylam with respect to the Tekmira Technology under this Article 6 are subject to the rights granted to Tekmira, and to Tekmira's ability to grant rights to Alnylam under the Tekmira In-Licenses.

(ii) Concurrently with the Original Effective Date the Parties and UBC entered into the UBC Sublicense Documents each containing provisions governing or relating to the sublicense to Alnylam of rights to Tekmira Technology and Tekmira Collaboration IP in the Alnylam Field that are Controlled by Tekmira by virtue of its licenses from UBC under the Tekmira-UBC License Agreement. Alnylam hereby agrees, effective as of the end of the Restriction Period, that its rights and licenses under the UBC Sublicense Documents, to the extent applicable to any Technology (as defined in the Tekmira-UBC License Agreement) first discovered or reduced to practice following the end of the Restriction Period or otherwise first included in the licenses to Tekmira under the Tekmira-UBC License Agreement following the end of the Restriction Period (including without limitation any Tekmira Collaboration IP discovered or reduced to practice following the end of the Restriction Period that is to be assigned to UBC under the UBC Sublicense Documents), shall be non-exclusive, notwithstanding anything to the contrary in the UBC Sublicense Documents or otherwise. If and to the extent that the foregoing requires any notice to or consent from UBC, Alnylam agrees to assist Tekmira as reasonably requested, at any time and from time to time following the Effective Date, to provide such notice or facilitate such consent (it being understood and agreed that Alnylam is not obligated to provide UBC, directly or indirectly, with any additional compensation in order to secure any such consent).

(iii) Following the Original Effective Date, each and every Tekmira In-License entered into by Tekmira shall contain terms substantially similar to the provisions set forth in Schedule 6.4(a) (such provisions, the "Tekmira In-License Provisions"). For clarity, if Tekmira possesses a reasonable belief at the time Tekmira enters into an agreement with a Third Party for the in-license of Intellectual Property Rights, that such Intellectual Property Rights do not and will not relate to the Alnylam Field, then Tekmira shall not be required to include the Tekmira In-License Provisions in such Third Party in-license agreement; provided, however, that if after execution of such an in-license agreement it is discovered or determined that some or all of such in-licensed Intellectual Property Rights does relate to the Alnylam Field, then Tekmira shall use Commercially Reasonable Efforts to amend such Third Party in-license agreement to incorporate provisions substantially similar to the Tekmira In-License Provisions.

(b) Each Party shall comply with all applicable terms and conditions of the In-Licenses, the Tekmira-UBC License Agreement and the UBC Sublicense Documents to which it is a party, and shall take such actions as may be required to allow the other Party to comply with its obligations thereunder, including but not limited to, obligations relating to patent matters, confidentiality, reporting, indemnification and diligence. Without limiting the foregoing, Tekmira agrees to comply with the requirements set forth in the MIT License Agreement, including but not limited to, the requirements listed on Schedule 6.4(b).

(c) Alnylam shall be solely responsible for obtaining licenses of Necessary Third Party IP for the Research, Development, Manufacturing or Commercialization of Alnylam Royalty Products. Tekmira shall be solely responsible for obtaining licenses of Necessary Third Party IP for the Research, Development, Manufacturing or Commercialization of Tekmira Royalty Products. Such licenses shall not grant rights to any Third Party that conflict with the terms and conditions of this Agreement.

6.5 Options to Obtain Additional Patent Rights.

6.5.1 [**].

6.5.2 [**].

6.6 No Other Rights. Except as otherwise expressly provided in this Agreement, under no circumstances shall a Party hereto, as a result of this Agreement, obtain any ownership interest, license or other right in any Intellectual Property Rights of the other Party, including rights owned, controlled or developed by the other Party, or provided by the other Party to the receiving Party at any time pursuant to this Agreement.

6.7 Diligence and Annual Reports. (a) Alnylam shall use Commercially Reasonable Efforts to Research, Develop and Commercialize an Alnylam Royalty Product in the Territory. Tekmira shall use Commercially Reasonable Efforts to Research, Develop and Commercialize a Tekmira Royalty Product in the Territory.

(b) Each Party agrees that it shall deliver to the other Party an annual report, due no later than December 31 of each Contract Year of the Agreement Term, which summarizes the major activities undertaken by the reporting Party during the preceding twelve (12) months to Research, Develop and Commercialize its Royalty Products in the Territory in the applicable field. The report will include an outline of the status of any such Royalty Products in clinical trials and the existence of any sublicenses with respect to such Royalty Products which have not been previously disclosed.

6.8 Compliance. Each Party shall conduct its obligations under this Agreement in accordance with all applicable laws, rules and regulations, including without limitation current governmental regulations concerning good laboratory practices, good clinical practices, cGMP and the requirements of the United States Federal government in connection with activities funded by it, as applicable.

6.9 Alnylam Rights Relating to Tekmira IOC Technology and IOC Products.

(a) **IOC Technology**. Until the expiration of the last Valid Claim of the Alnylam IOC Patent Rights, Alnylam may, upon written notice to Tekmira (an "FTO Notice"), elect to take from Tekmira, and Tekmira will grant to Alnylam, a worldwide, royalty-bearing, non-exclusive license (with no rights to sublicense) to the Tekmira IOC Technology to Research, Develop and Commercialize IOC Products (a "Platform License"). For clarity, such Platform License will not grant Alnylam any rights to Tekmira IOC Technology Covering only a specific Tekmira IOC Product or particular uses of such IOC Product, and is intended to provide Alnylam with "freedom to operate" under the Tekmira IOC Technology to Research, Develop and/or Commercialize IOC Products Controlled by Alnylam. Upon Tekmira's receipt of such FTO Notice from Alnylam, the Parties shall promptly commence good faith negotiations for a period of up [**] in an effort to reach a mutually acceptable definitive agreement for such Platform License that is consistent with the terms of this Section 6.9(a) and contains other customary and reasonable terms mutually agreeable to the Parties.

(i) Whether or not Alnylam has previously provided an FTO Notice, Tekmira will provide Alnylam with at least thirty (30) days' prior written notice before entering into any

agreement with a Third Party with respect to a Platform License. Such notice will include a description of the financial terms of such proposed Platform License sufficient to permit Alnylam to understand and evaluate such terms.

(ii) If Tekmira offers a Platform License to a Third Party or a Third Party offers to obtain a Platform License at any time during the first five (5) years after Alnylam has provided an FTO Notice, and the terms of such Platform License offer, taken as a whole, are the same as, or more favorable to such Third Party than (x) the terms of the Parties' definitive agreement for a Platform License, or (y) if the Parties have not yet entered into a definitive agreement for a Platform License, the last proposal for a Platform License made in the course of the Parties' negotiations pursuant to this Section 6.9(a) (in either case of (x) or (y), "More Favorable Terms"), then upon written notice from Alnylam, either (A) the Parties will amend the Parties' definitive agreement for a Platform License to match or improve upon the More Favorable Terms; or (B) the Parties will promptly conclude a definitive agreement for a Platform License on substantially similar terms as the More Favorable Terms.

(b) **IOC Products**. Prior to the expiration of the last Valid Claim of the Alnylam IOC Patent Rights, Tekmira shall notify Alnylam in writing (a "Product Notice") prior to entering into bona fide negotiations with a Third Party for the rights to Research, Develop and/or Commercialize any IOC Product Controlled by Tekmira (an "Tekmira IOC Product"). Such Product Notice shall include material information relating to such Tekmira IOC Product that Alnylam may reasonably require in order for Alnylam to evaluate and determine its interest in such Tekmira IOC Product.

(i) If Tekmira issues the Product Notice prior to the acceptance of a bona fide IND filing by a Regulatory Authority in the United States or one of the Major Markets for the applicable Tekmira IOC Product, then Alnylam shall have forty-five (45) days after receipt of such Product Notice (the "Opportunity Response Period") to notify Tekmira in writing of its interest in such Tekmira IOC Product. If Alnylam notifies Tekmira in writing within the Opportunity Response Period that it is interested in such Tekmira IOC Product, then the Parties shall promptly commence good faith negotiations (in Tekmira's case on an exclusive basis) for a period of up to ninety (90) days after Alnylam receives the Product Notice in an effort to conclude a mutually acceptable definitive agreement for the exclusive rights to Research, Develop and Commercialize such Tekmira IOC Product ("Product License"). The royalties payable to Tekmira in respect of such Tekmira IOC Product contained in such definitive agreement will be equal to the royalties and milestones payable with respect to an IOC Product under this Agreement; provided, however that Tekmira shall not be required to reimburse Alnylam for any royalties or milestones payable by Alnylam in respect of such Tekmira IOC Product under any Third Party agreements pursuant to which Alnylam Controls the Alnylam IOC Technology licensed to Tekmira under this Agreement that Cover such Tekmira IOC Product, and the agreement will otherwise contain reasonable and customary terms that are consistent with the terms of this Section 6.9(b); provided, however, that the Parties shall enter into good faith negotiations to agree upon ancillary financial provisions to compensate Tekmira for its prior reasonable Research and Development expenditures solely in connection with such Tekmira IOC Product, which expenditures shall be based on the properly allocated costs and expenses directly incurred by Tekmira for the Research, Development and/or Manufacture of such Tekmira IOC Product through and including the Opportunity Response Period, which costs shall include all reasonable and properly allocated internal costs

(determined in accordance with the then-current Tekmira FTE Rate) for the FTEs directly performing Research, Development and Manufacturing activities with respect to such Tekmira IOC Product during such period and the reasonable, direct out-of-pocket expenses actually paid by Tekmira in its performance of the Research, Development and/or Manufacture of such Tekmira IOC Product. If Tekmira issues the Product Notice after the acceptance of a bona fide IND filing by a Regulatory Authority in the United States or one of the Major Markets for the applicable Tekmira IOC Product, then Alnylam shall have ninety (90) days after receipt of such Product Notice (the "Post-IND Opportunity Response Period") to notify Tekmira in writing of its interest in such Tekmira IOC Product. If Alnylam notifies Tekmira in writing within the Post-IND Opportunity Response Period that it is interested in such Tekmira IOC Product, then the Parties will use Commercially Reasonable Efforts to negotiate and execute a definitive agreement for the Product reasonable and customary terms mutually agreeable to the Parties, including appropriate financial consideration after taking into account the maturity of Tekmira's Research, Development and Commercialization activities through and including the Opportunity Response Period. If (x) Alnylam notifies Tekmira that it is not interested in obtaining a Product License with respect to such Tekmira IOC Product, (y) Alnylam does not notify Tekmira in writing within the Opportunity Response Period that it is interested in such Tekmira IOC Product, or (z) despite each Party's good faith efforts, Alnylam and Tekmira are not able to reach agreement on and execute a definitive agreement for a Product License within such one hundred and twenty (120) day period, then Tekmira may enter into negotiations with any Third Party for such Tekmira IOC Product.

(ii) If (x) at any time prior to the expiration of the last Valid Claim of the Alnylam IOC Patent Rights Tekmira offers to a Third Party or a Third Party offers to obtain rights to Research, Develop and/or Commercialize a Tekmira IOC Product that has been the subject of a Product Notice and with respect to which Alnylam does not have a Product License, and (y) the terms of such Third Party Product License offer, taken as a whole, are the same as, or more favorable to the Third Party than the last Product License offer with respect to such Tekmira IOC Product made by a Party to the other in the course of the Parties' negotiations pursuant to this Section 6.9(b), then prior to executing any agreement with such Third Party (A) Tekmira will provide to Alnylam a description of the terms of such Third Party Product License offer sufficient to permit Alnylam to evaluate such offer terms, and (B) Alnylam will have thirty (30) days to evaluate such offer and determine if Alnylam wishes to enter into a Product License agreement with Tekmira for such Tekmira IOC Product on terms that are substantially similar to those offered to or by such Third Party. If Alnylam elects to enter into an agreement with Tekmira in accordance with the immediately preceding sentence, then the Parties will promptly conclude an agreement on substantially similar terms to the Third Party Product License offer. If Alnylam does not notify Tekmira in writing within such thirty (30) day period that it is interested in concluding a Product License agreement for such Tekmira IOC Product, then Tekmira may conclude an agreement with a Third Party for such Tekmira IOC Product on terms that are, taken as a whole, not more favorable to such Third Party than the terms presented to Alnylam pursuant to this Section 6.9(b).

7. PAYMENTS; ROYALTIES AND REPORTS

7.1 Upfront Consideration. As partial consideration for the license and grant of rights under this Agreement, Alnylam previously paid to Tekmira Eight Million Dollars ($8,000,000) by issuing to Tekmira 361,990 shares of Alnylam's common stock, par value $0.01 per share (the "Shares").

7.2 Milestone Fees Payable by Alnylam.

(a) As partial consideration for the grant by Tekmira to Alnylam of the licenses and other rights hereunder, Alnylam shall make the milestone payments to Tekmira set forth below no later than thirty (30) calendar days after the earliest date on which the corresponding milestone event has been achieved with respect to each Alnylam Royalty Product (other than an Alnylam Royalty Product directed to a Biodefense Target) to achieve such milestone event:

Milestone Event	Payment
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]

In the event one or more milestone events set out above are skipped for any reason, the payment for such skipped milestone event(s) will be due at the same time as the payment for the next achieved milestone event.

(b) If, however, an Alnylam Royalty Product is directed to a Biodefense Target, in lieu of the milestone payments set forth in Section 7.2(a), the following milestone payments shall be payable no later than thirty (30) calendar days after the later of (i) the earliest date on which the corresponding milestone event has been achieved with respect to such Alnylam Royalty Product, and (ii) receipt by Alnylam of all funding from a Funding Authority that Alnylam is eligible to receive for the achievement of such milestone event with respect to such Alnylam Royalty Product:

Milestone Event	Payment
[**]	[**]
[**]	[**]
[**]	[**]

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In the event one or more milestone events set out above are skipped for any reason, the payment for such skipped milestone event(s) will be due at the same time as the payment for the next achieved milestone event.

(c) Notwithstanding that an Alnylam Royalty Product is directed to a Biodefense Target, if Alnylam or its Related Parties Commercialize or sell such Alnylam Royalty Product other than to a Funding Authority, the milestone payment amounts set forth in Section 7.2(a) shall then apply in lieu of the amounts set forth in Section 7.2(b).

(d) The milestone payments described above shall be payable only once in relation to each Alnylam Royalty Product that achieves Approval in a Major Market (or, in the case of an Alnylam Royalty Product directed to a Biodefense Target, an Alnylam Royalty Product that achieves the First Commercial Sale in a Major Market) (each, a "Successful Product"). Therefore, unless and until there is a Successful Product directed to a particular Alnylam Target, any of the milestone payments made by ALNYLAM under this Section in connection with an Alnylam Royalty Product directed to such Target shall be fully creditable against the repeated achievement of such milestone event by any other Alnylam Royalty Product directed to such Target. However, in the event that there is a Successful Product with respect to an Alnylam Target and Alnylam subsequently begins to Develop or continues to Develop another Alnylam Royalty Product directed to such Target (a "Follow-On Product"), then, if and when any of the milestone events set out above is thereafter achieved for such Follow-On Product, in addition to the milestone payment for such milestone event, there will also be due and payable all of the milestone payment(s) for any such milestones that were achieved for such Follow-On Product prior to the achievement of Approval or First Commercial Sale (as the case may be) in a Major Market of a Successful Product with respect to such Target).

(e) With respect to any Alnylam Development Product that is a Licensed Product (as such terms are defined in the Protiva License Agreement) that also meets the definition of an Alnylam Royalty Product under this Agreement, Alnylam shall not be required to pay milestone fees under both such agreements, but, rather, shall pay only the larger of such milestone fees under such agreements, respectively. Milestone payments shall be made by Alnylam in cash by wire transfer to a bank account of Tekmira pursuant to wire instructions provided by Tekmira to Alnylam in writing in advance.

7.3 Royalties.

7.3.1 Royalties Payable on Net Sales by Alnylam. As partial consideration for the grant by Tekmira to Alnylam of the licenses and other rights hereunder, subject to the terms and conditions of this Agreement, Alnylam shall pay to Tekmira royalties on Net Sales of Alnylam Royalty Products in the Territory by Alnylam and its Related Parties as follows:

(a) Where the Net Sales are those of, and are invoiced by, any one of the following:

(i) Alnylam or its Affiliate;

(ii) a Roche Sublicensee under a sublicense granted in accordance with Section 6.2.2(c);

(iii) Regulus Therapeutics LLC, under a sublicense granted by Alnylam in compliance with Section 6.2.1; or

(iv) another Sublicensee under a sublicense granted by Alnylam in connection with, and solely for the purpose of, a Bona Fide Collaboration of Alnylam, and solely for the purposes of such Bona Fide Collaboration,

the applicable running royalty rates shall be as set out in the table below (all references are to U.S. dollars, and the Net Sales figures are the aggregated sums with respect to Alnylam and all of its Affiliates and Sublicensees):

Aggregate Calendar Year Net Sales of the Alnylam Royalty Product in the Territory	**Royalty (as a percentage of Net Sales)**
On the first [**]	[**]
On the subsequent [**]	[**]
Greater than [**]	[**]

(b) In all other cases, the applicable running royalty rates shall be as set out in the table below:

Aggregate Calendar Year Net Sales of the Alnylam Royalty Product in the Territory	**Royalty (as a percentage of Net Sales)**
On the first [**]	[**]
On the subsequent [**]	[**]
On the subsequent [**]	[**]
Greater than [**]	[**]

7.3.2 Royalties Payable on Net Sales by Tekmira.

(a) As partial consideration for the grant by Alnylam to Tekmira of the licenses and other rights hereunder, subject to the terms and conditions of this Agreement, Tekmira shall pay to Alnylam royalties on Net Sales of Tekmira Development Products that are Tekmira Royalty Products, in the Territory by Tekmira and its Related Parties as follows:

Aggregate Calendar Year Net Sales of the Tekmira Development Product in the Territory	**Royalty (as a percentage of Net Sales)**
On the first [**]	[**]
On the subsequent [**]	[**]
On the subsequent [**]	[**]
Greater than [**]	[**]

*** Confidential Treatment Requested.**

(b) Subject to the terms and conditions of this Agreement, Tekmira shall pay to Alnylam royalties on Net Sales of IOC Products that are Tekmira Royalty Products, in the Territory by Tekmira and its Related Parties as follows:

Aggregate Calendar Year Net Sales of the IOC Product in the Territory	Royalty (as a percentage of Net Sales)
On the first [**]	[**]
On the subsequent [**]	[**]
Greater than [**]	[**]

7.3.3 Additional Royalty Provisions. Royalties on Royalty Products at the rate set forth above, shall be payable on a country-by-country and product-by-product basis commencing on the date of First Commercial Sale of such Royalty Product in a country and continuing until the later of the expiration of the last Valid Claim Covering the Manufacture or Commercialization of such Royalty Product in the country of sale, subject to the following conditions:

(a) only one royalty shall be due with respect to the same unit of Royalty Product. Moreover, with respect to any Alnylam Development Product that is a Licensed Product (as such terms are defined in the Protiva License Agreement) that also meets the definition of an Alnylam Royalty Product under this Agreement, Alnylam shall not be required to pay royalties under both such agreements, but, rather, shall pay only the larger of such royalties under such agreements, respectively;

(b) no royalties shall be due upon the sale or other transfer among a Party and its Related Parties, but in such cases the royalty shall be due and calculated upon such Party's or its Related Party's Net Sales to the first independent Third Party;

(c) no royalties shall accrue on the sale or other disposition of the Royalty Product by a Party or its Related Parties for use in a clinical study sponsored by such Party or under an IND prior to Regulatory Approval of such Royalty Product in the applicable jurisdiction; and

(d) no royalties shall accrue on the disposition of a Royalty Product in reasonable quantities by a Party or its Related Parties as samples (promotion or otherwise) or as donations (for example, to non-profit institutions for a non-commercial purpose).

Moreover, the Parties acknowledge and agree that nothing in this Agreement (including without limitation any exhibits or attachments hereto) shall be construed as representing an estimate or projection of either (i) the number of Royalty Products that will or may be successfully Researched, Developed or Commercialized or (ii) anticipated sales or the actual value of any Royalty Product, and that the figures set forth in this Article 7 or elsewhere in this Agreement or that have otherwise been discussed by the Parties are merely intended to define a Party's royalty payment obligations to each other in the event such sales performance is achieved.

7.3.4 Reports; Payment of Royalty. During the Agreement Term, commencing upon the First Commercial Sale of a Royalty Product, the Royalty Payor shall furnish to the Royalty Recipient a quarterly written report showing the quantity of Royalty Products sold in each country (as measured in saleable units of product), the gross sales of such Royalty Product in each country, total deductions for such Royalty Product for each country included in the calculation of Net Sales, the Net Sales in each country of such Royalty Product subject to royalty payments sold by the Royalty Payor and its Related Parties during the reporting period and the royalties payable with respect to such Royalty Product under this Agreement. Quarterly reports shall be due no later than the twenty-fifth (25th) day following the close of each Calendar Quarter. Royalties shown to have accrued by each royalty report shall be due and payable on the date such royalty report is due. The Royalty Payor shall keep complete and accurate records in sufficient detail to enable the royalties and other payments payable hereunder to be determined.

7.4 Necessary Third Party IP.

7.4.1 Third Party License Payments. Tekmira shall pay [**] of all royalties, license fees, milestones and similar payments (if any) payable to Tekmira's Affiliates or to any Third Parties for the rights to Tekmira Technology licensed to Alnylam under this Agreement under any Tekmira In-License and shall pay [**] of all amounts owed to UBC under the Tekmira-UBC License Agreement in respect of the sublicense to Alnylam under the UBC Sublicense. Alnylam shall pay [**] of all royalties, license fees, milestones and similar payments (if any) payable to Alnylam's Affiliates or to any Third Parties for the rights to Alnylam RNAi Technology, Alnylam IOC Technology and Alnylam Lipidoid Patent Rights licensed to Tekmira under this Agreement; [**].

7.4.2 Royalty Adjustment. If the Research, Development, Manufacture or Commercialization of a Royalty Product by a Royalty Payor in accordance with this Agreement infringes Necessary Third Party IP, the applicable royalties in each country in the Territory payable to the Royalty Recipient pursuant to Section 7.3 will be reduced by the amount of royalties paid with respect to Necessary Third Party IP; provided, however, that in no event shall the royalties due be reduced by [**] of the royalties otherwise due (and will not in any case be reduced below [**] of the amount of royalties that would otherwise be due).

7.4.3 Adjustments for Payments to UBC. In the event that Alnylam is required to make any payments to UBC in respect of the Tekmira Technology or Tekmira Collaboration IP licensed to Alnylam pursuant to the UBC Sublicense Agreement or pursuant to a direct license agreement between UBC and Alnylam as a result of the default by, or bankruptcy or insolvency of, Tekmira as more fully described in Section 3.4 and Article 17.0 of the Tekmira-UBC License Agreement, then Alnylam shall be entitled to offset any amounts payable by Alnylam to Tekmira under this Agreement (or under the Protiva License Agreement if payments are due instead to Protiva pursuant to Sections 7.2(e) or 7.3.3(a)) by the amount of Alnylam's payments to UBC until such amounts have been credited in full.

7.4.4 Adjustment for More Favorable Terms. If after the Effective Date, Tekmira grants to a Third Party any license under the Tekmira Technology substantially similar in scope and

substance to the license granted to Alnylam by Tekmira under this Agreement on terms calling for milestone fees and royalties that are, as a whole, more favorable (to the licensee in such other license) than the comparable terms contained in this Article VII with respect to milestones fees and royalties payable by Alnylam, then Tekmira shall so notify Alnylam, and at Alnylam's option, such more favorable financial terms granted to such Third Party shall apply to Alnylam's or its Affiliates' or Sublicensees' license for Alnylam Royalty Products, rather than the milestone fees and royalty terms under this Article VII.

7.5 Collaboration and Manufacturing Activity Funding.

7.5.1 Collaboration Funding. As consideration for the performance by Tekmira of its obligations under the Collaboration, Alnylam agrees to fund the FTEs provided by Tekmira as follows:

(a) During the Collaboration Term, the compensation to Tekmira for up to [**] FTEs in each Contract Year of the Collaboration Term to perform its obligations under the Collaboration as provided in the Research Plan shall not be less than an aggregate of [**] in each such Contract Year; and

(b) the use of any additional FTEs in each Contract Year of the Collaboration Term as approved by the JRC shall be funded at the FTE Rate pro-rated to the duration that such FTEs actually perform such activities under the Collaboration in accordance with the Research Plan, and as documented by Tekmira pursuant to Section 7.5.3 below.

Tekmira acknowledges and agrees that the FTE Rate reflects Tekmira's fully-loaded costs and expenses in performing its obligations under the Collaboration and that Tekmira is solely responsible for its costs and expenses in performing its obligations under the Collaboration. However, Alnylam agrees to reimburse Tekmira for any extraordinary out-of pocket costs and expenses incurred by Tekmira in performing its obligations under the Collaboration in accordance with the Research Plan to the extent that such costs and expenses are approved by the JRC in advance in writing and are reasonable, documented costs and expenses actually and directly incurred by Tekmira. After the Collaboration Term, Alnylam's funding obligation shall cease and (to the extent mutually agreed by the Parties) each Party shall be responsible for funding its own participation in the Collaboration and all expenses incurred by such Party in connection therewith.

7.5.2 Product Manufacturing Cost. As consideration for the performance by Tekmira of the Manufacturing Activities and the delivery of quantities of bulk finished dosage form of Alnylam Royalty Product Manufactured and supplied by Tekmira to Alnylam pursuant to Section 5.1(a), Alnylam agrees to purchase each such batch of bulk finished dosage form at a price comprised of:

(a) [**]; and

(b) [**].

Tekmira shall provide Alnylam upon request with an estimate of Tekmira's per batch price for any Alnylam Royalty Product.

7.5.3 Invoicing and Payment. Tekmira shall, within thirty (30) days following the end of each calendar month during the Collaboration Term, deliver to Alnylam a detailed invoice (a) stating the number of FTEs that performed activities under the Collaboration during such calendar month and the nature of such work, and (b) detailing any out-of-pocket expenses invoiced to Tekmira to be reimbursed by Alnylam pursuant to Section 5.1(b), 7.5.1 or 7.5.2, and accompanied by adequate documentation of such expenses. All undisputed payments shall be made by Alnylam within forty-five (45) days of its receipt of such an invoice.

7.6 Audits.

7.6.1 Access. Upon the written request of a Party and not more than once in each Calendar Year, the other Party and/or its Related Parties shall permit an independent certified public accounting firm of nationally recognized standing selected by the requesting Party and reasonably acceptable to the other Party, at the requesting Party's expense except as set forth below, to have access during normal business hours to such of the records of the other Party as may be reasonably necessary to verify the accuracy of the royalty, FTE, expense and other financial reports required to be delivered under this Agreement for any Calendar Year ending not more than thirty-six (36) months prior to the date of such request, for the sole purpose of verifying the basis and accuracy of payments made under this Article 7.

7.6.2 Discrepancies; Default Interest. If such accounting firm identifies a discrepancy made during such period, the appropriate Party shall pay the other Party the amount of the discrepancy within twenty (20) Business Days of the date the requesting Party delivers to the other Party such accounting firm's written report so concluding, or as otherwise agreed by the Parties in writing. Such written report shall be binding upon the Parties. The fees charged by such accounting firm shall be paid by the requesting Party, unless such discrepancy represents an underpayment by the other Party of more than the lesser of [**] or [**] of the total amounts due hereunder, in which case such fees shall be paid by the other Party. Unless an audit for such Calendar Year has been commenced upon the expiration of [**] following the end of such Calendar Year, the calculation of royalties and other payments payable with respect to such Calendar Year shall be binding and conclusive upon both Parties, and each Party and its Related Parties shall be released from any further liability or accountability with respect to royalties and other payments for such Calendar Year. All amounts due and owing to a Party hereunder by the other Party but not paid by the other Party on the due date thereof shall bear interest at the rate of one per cent (1%) per month.

7.6.3 Confidentiality. Each Party shall treat all financial information subject to review under this Section 7.6 or under any sublicense agreement in accordance with the confidentiality and non-use provisions of Article 8 of this Agreement, and shall cause its accounting firm to enter into an acceptable confidentiality agreement with the other Party and/or its Related Parties obligating it to retain all such information in confidence pursuant to such confidentiality agreement.

7.7 Payment Exchange Rate. All dollar amounts in this Agreement are United States dollar amounts. All payments to be made under this Agreement, including without limitation, any payments based on revenues generated by Related Parties in respect of Royalty Products, shall be made in United States dollars and shall be paid by bank wire transfer in immediately available funds to such bank account in Canada or the United States, as may be designated in writing by the receiving Party from time to time. In the case of sales outside the United States by any Party and its Related

Parties, the rate of exchange to be used in computing the amount of currency equivalent in United States dollars due shall be made at the rate of exchange utilized by such Party in its worldwide accounting system, prevailing on the third to the last Business Day of the month preceding the month in which such sales are recorded.

7.8 Income Tax Withholding. (a) If laws, rules or regulations require withholding of income taxes or other taxes imposed upon payments set forth in this Article 7, the paying Party shall make such withholding payments as required and subtract such withholding payments from the payments set forth in this Article 7. The paying Party shall submit appropriate proof of payment of the withholding taxes to the receiving Party within a reasonable period of time. At the request of the receiving Party, the paying Party shall, at its cost, give the receiving Party such reasonable assistance, which shall include the provision of appropriate certificates of such deductions made together with other supporting documentation as may be required by the relevant tax authority, to evidence such payment and to enable the receiving Party to claim exemption from such withholding or other tax imposed or to obtain a repayment thereof or reduction thereof, and shall upon request provide such additional documentation from time to time as is reasonably required to confirm the payment of tax.

(b) Tekmira represents and warrants that, as of the Effective Date, it is a resident of Canada for Canadian income tax purposes and for purposes of the Tax Convention. Alnylam represents and warrants that, as of the Effective Date, it is a resident of the United States of America for United States income tax purposes and for purposes of the Tax Convention. The paying Party confirms that, with regard to any payment under Article 7, it will withhold at the rate applicable under the Tax Convention if and to the extent that the Tax Convention governs the withholding from such payment required by applicable law. Tekmira and Alnylam agree to provide written notice to the other Party if its rights or obligations under the Agreement are assigned to a Person that is not a resident of the United States of America (in the case of Alnylam) for United States income tax purposes and for purposes of the Tax Convention, or a resident of Canada (in the case of Tekmira) for Canadian income tax purposes and for purposes of the Tax Convention.

8. CONFIDENTIALITY AND PUBLICATION

8.1 Nondisclosure Obligation. (a) All Confidential Information disclosed by one Party to the other Party hereunder shall be maintained in confidence by the receiving Party and shall not be disclosed to a Third Party or used for any purpose except as set forth herein without the prior written consent of the disclosing Party, except to the extent that such Confidential Information:

(i) is known by the receiving Party at the time of its receipt, and not through a prior disclosure by the disclosing Party, as documented by the receiving Party's business records;

(ii) is in the public domain by use and/or publication before its receipt from the disclosing Party, or thereafter enters the public domain through no fault of the receiving Party;

(iii) is subsequently disclosed to the receiving Party by a Third Party who may lawfully do so and is not under an obligation of confidentiality to the disclosing Party; or

(iv) is developed by the receiving Party independently of Confidential Information received from the disclosing Party, as documented by the receiving Party's business records.

(b) Notwithstanding the obligations of confidentiality and non-use set forth above and in Section 8.2.2 below, a receiving Party may provide Confidential Information disclosed to it, and disclose the existence and terms of this Agreement and the other Transaction Documents, in each case as may be reasonably required in order to perform its obligations and to exploit its rights under this Agreement and the other Transaction Documents, and specifically to (i) Related Parties, and their employees, directors, agents, consultants, advisors and/or other Third Parties for the performance of its obligations hereunder (or for such entities to determine their interest in performing such activities) in accordance with this Agreement in each case who are obligated to keep such Confidential Information confidential; (ii) governmental or other Regulatory Authorities in order to obtain patents or perform its obligations or exploit its rights under this Agreement; provided, that such Confidential Information shall be disclosed only to the extent reasonably necessary to do so, (iii) the extent required by applicable law, including without limitation by the rules or regulations of the United States Securities and Exchange Commission or similar regulatory agency in a country other than the United States or of any stock exchange or Nasdaq, (iv) any bona fide actual or prospective underwriters, investors, lenders or other financing sources and any bona fide actual or prospective collaborators or strategic partners and to consultants and advisors of such Party, in each case who are obligated to keep such Confidential Information confidential, (v) to Third Parties to the extent a Party is required to do so pursuant to the terms of an In-License or a Pre-Existing Alnylam Alliance Agreement, and (vi) UBC to the extent a Party is required to do so in order to comply with its obligations to UBC under the UBC Sublicense Documents or the Tekmira-UBC License Agreement, as the case may be.

If a Party is required by judicial or administrative process to disclose Confidential Information that is subject to the non-disclosure provisions of this Section 8.1 or Section 8.2, such Party shall promptly inform the other Party of the disclosure that is being sought in order to provide the other Party an opportunity to challenge or limit the disclosure obligations. Confidential Information that is disclosed by judicial or administrative process shall remain otherwise subject to the confidentiality and non-use provisions of this Section 8.1 and Section 8.2, and the Party disclosing Confidential Information pursuant to law or court order shall take all steps reasonably practical, including without limitation seeking an order of confidentiality, to ensure the continued confidential treatment of such Confidential Information. In addition to the foregoing restrictions on public disclosure, if either Party concludes that a copy of this Agreement must be filed with the United States Securities and Exchange Commission or similar regulatory agency in a country other than the United States, such Party shall seek the maximum confidential treatment available under applicable law, provide the other Party with a copy of this Agreement showing any sections as to which the Party proposes to request confidential treatment, provide the other Party with an opportunity to comment on any such proposal and to suggest additional portions of this Agreement for confidential treatment, and take such Party's reasonable comments into consideration before filing this Agreement.

8.2 Publication and Publicity.

8.2.1 Publication. Tekmira and Alnylam each acknowledge the other Party's interest in publishing the results of the Collaboration. Each Party also recognizes the mutual interest in obtaining valid patent protection and in protecting business interests and trade secret information. Consequently, except for disclosures permitted pursuant to Section 8.1 and 8.2.2(b), either Party, its Affiliates, or their respective employees or consultants wishing to make a publication or a disclosure to a Third Party relating to the Collaboration or any Royalty Product of the other Party shall deliver to the other Party a copy of the proposed written publication or an outline of an oral disclosure at least

thirty (30) days prior to submission for publication or presentation. The reviewing Party shall have the right (a) to propose modifications to the publication or presentation for patent reasons, trade secret reasons or business reasons, or (b) to request a reasonable delay in publication or presentation in order to protect patentable information. If the reviewing Party requests a delay, the publishing Party shall delay submission or presentation for a period of thirty (30) days to enable patent applications protecting each Party's rights in such information to be filed in accordance with Article 10 below. Upon expiration of such thirty (30) days, the publishing Party shall be free to proceed with the publication or presentation. If the reviewing Party requests modifications to the publication or presentation, the publishing Party shall edit such publication to prevent disclosure of trade secret or proprietary business information prior to submission of the publication or presentation. With respect to any proposed publications or disclosures by investigators or academic or non-profit collaborators, such materials shall be subject to review under this Section 8.2 to the extent that Tekmira or Alnylam, as the case may be, has the right and ability (after using reasonable efforts) to do so. For the avoidance of doubt, subject to its obligations under Section 8.1, each Party may make publications and disclosures to Third Parties relating to its own Royalty Products outside of the Collaboration without any obligation to permit the other Party to review or comment on such publication or disclosure.

8.2.2 Publicity. (a) Except as set forth in Section 8.1 above and clause (b) below, no disclosure of the existence of, or the terms of, this Agreement or the other Transaction Documents may be made by either Party, and no Party shall use the name, trademark, trade name or logo of the other Party or its employees in any publicity, news release or disclosure relating to this Agreement or its subject matter, without the prior express written permission of the other Party, except as may be required by law or expressly permitted by the terms hereof.

(b) The Parties expect that upon the Effective Date of this Agreement Tekmira will, and Alnylam may, issue separate press releases publicizing the execution of this Agreement and the Protiva License Agreement, and that prior to the execution of this Agreement, Alnylam and Tekmira shall agree in writing upon any such press releases. After such initial press releases, neither Party shall issue a press release or public announcement relating to this Agreement without the prior written approval of the other Party, which approval shall not be unreasonably withheld, except that a Party may (i) once a press release or other written statement is approved in writing by both Parties, make subsequent public disclosure of the information contained in such press release or other written statement without the further approval of the other Party, and (ii) issue a press release or public announcement as required, in the reasonable judgment of such Party, by applicable law, including without limitation by the rules or regulations of the United States Securities and Exchange Commission or similar regulatory agency in a country other than the United States or of any stock exchange or NASDAQ.

9. REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION

9.1 Mutual Representations and Warranties. Each Party represents and warrants to the other Party that each representation and warranty made by it under this Article 9 that is made as of or on the Effective Date, is also made by it as of and upon the Condition Satisfaction Date. Each Party represents and warrants to the other Party that as of the Effective Date of this Agreement:

9.1.1 It is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate or other power and authority to enter into this

Agreement and the other Transaction Documents to which it is a party, and to carry out the provisions hereof. Further, except for any Regulatory Approvals, pricing and/or reimbursement approvals, manufacturing approvals and/or similar approvals necessary for the Research, Development, Manufacture or Commercialization of the Royalty Products, all necessary consents, approvals and authorizations of all government authorities required to be obtained by such Party as of the Effective Date in connection with the execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party have been obtained by the Effective Date.

9.1.2 It is duly authorized to execute and deliver this Agreement and the other Transaction Documents to which it is a party, and to perform its obligations hereunder, and the person or persons executing this Agreement and the other Transaction Documents to which it is a party on its behalf has been duly authorized to do so by all requisite corporate action.

9.1.3 This Agreement and the other Transaction Documents to which it is a party are legally binding upon it and enforceable in accordance with its terms. Except as set forth in Section 9.1.3 of Schedule 9 to this Agreement, the execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party by it does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party and by which it may be bound, or with its charter or by-laws.

9.1.4 Except, in Alnylam's case, as set forth in Section 9.1.3 of Schedule 9 to this Agreement, it has not, and will not during the Agreement Term, grant any right to any Third Party which would conflict with the rights granted to the other Party hereunder. It has (or will have at the time performance is due) maintained and will maintain and keep in full force and effect all agreements (including license agreements) and filings (including patent filings) necessary in such Party's reasonable judgment to perform its obligations hereunder. Further, (a) the execution and delivery of this Agreement and the other Transaction Documents to which it is a party by such Party, (b) the performance of such Party's obligations hereunder and the other Transaction Documents to which it is a party and (c) the licenses and sublicenses to be granted by such Party pursuant to this Agreement or the other Transaction Documents do not conflict with or violate any requirement of applicable laws or regulations existing as of the Effective Date and applicable to such Party.

9.1.5 Neither Party nor any of its Affiliates has been debarred or is subject to debarment and neither Party nor any of its Affiliates will use in any capacity, in connection with the Collaboration or, in the case of Tekmira the Manufacturing Activities, any person or entity that has been debarred pursuant to Section 306 of the United States Federal Food, Drug, and Cosmetic Act, or that is the subject of a conviction described in such section. Each Party agrees to inform the other Party in writing immediately if it or any Person that is performing activities in the Collaboration, and Tekmira agrees to inform Alnylam immediately in writing if it or any person or entity that is performing the Manufacturing Activities, is debarred or is the subject of a conviction described in Section 306, or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to the best of the notifying Party's knowledge, is threatened, relating to the debarment or conviction of the notifying Party or any person or entity used in any capacity by such Party or any of its Affiliates in connection with the Collaboration or the Manufacturing Activities, as the case may be.

9.2 Alnylam Representations and Warranties. Alnylam represents and warrants to Tekmira that as of the Effective Date of this Agreement:

9.2.1 To Alnylam's knowledge, the Alnylam Core Patent Rights and the Patent Rights comprising Alnylam IOC Technology exist and are not invalid or unenforceable, in whole or in part;

9.2.2 Except as set forth on Section 9.1.3 of Schedule 9 to this Agreement, it has not assigned, transferred, conveyed or otherwise encumbered its right, title and interest in the Alnylam RNAi Technology, the Alnylam Lipidoid Patent Rights, Alnylam IOC Technology or the Alnylam Collaboration IP or Alnylam's interest in Joint Collaboration IP in a manner that conflicts with any rights granted to Tekmira hereunder;

9.2.3 There are no claims, judgments or settlements actually made or, to Alnylam's knowledge, threatened, against or amounts with respect thereto owed by, Alnylam or its Affiliates relating to the Alnylam RNAi Technology, Alnylam Lipidoid Patent Rights or Alnylam IOC Technology;

9.2.4 Alnylam's obligations under the Collaboration Research Plan will be performed with requisite care, skill and diligence, in accordance with applicable laws and industry standards, and by individuals who are appropriately trained and qualified;

9.2.5 All siRNA, miRNA and other materials supplied by Alnylam to be used by Tekmira in the manufacture of Alnylam Royalty Products will have been Manufactured in accordance with the master batch records and released in accordance with the applicable specifications for such siRNA, miRNA and other materials, cGMP (if applicable), and all other applicable laws; and

9.2.6 None of the terms of the Existing Alnylam In-Licenses or Pre-Existing Alnylam Alliance Agreements prohibit or limit the use by Tekmira, for the Research, Development, Manufacture or Commercialization of the Tekmira Royalty Products, of any Intellectual Property Rights granted by Tekmira to Alnylam hereunder.

9.3 Tekmira Representations and Warranties. Tekmira represents and warrants to Alnylam that:

9.3.1 The Patent Rights listed in Schedule 1.73 are all the Tekmira Patent Rights existing on the Effective Date. As of the Effective Date, to Tekmira's knowledge, the Tekmira Patent Rights exist and are not invalid or unenforceable, in whole or in part. To Tekmira's knowledge, the conception, development and reduction to practice of the Tekmira Patent Rights and the Tekmira Collaboration IP and Joint Collaboration IP existing on the Effective Date have not constituted or involved the misappropriation of trade secrets or other rights or property of any person or entity;

9.3.2 The Patent Rights identified on Schedule 1.73 as Controlled by Tekmira through an ownership interest are owned by Tekmira free and clear of any liens or encumbrances. [**];

9.3.3 Tekmira has not assigned, transferred, conveyed or otherwise encumbered its right, title and interest in the Tekmira Technology or the Patent Rights identified on Schedule 1.73, the Tekmira Collaboration IP or its interest in Joint Collaboration IP or in the Tekmira IOC Technology, in a manner that conflicts with the rights granted to Alnylam hereunder;

9.3.4 There are no (a) claims, judgments or settlements actually made or, to Tekmira's knowledge, threatened, against, or amounts with respect thereto owed by, Tekmira or its Affiliates

relating to the Tekmira Technology or any Patent Rights or Know-How licensed to Alnylam pursuant to the UBC Sublicense, nor (b) any pending or threatened claims or litigation relating to the Tekmira Technology or any Patent Rights or Know-How licensed to Alnylam pursuant to the UBC Sublicense. Tekmira will promptly notify Alnylam in writing should it become aware of any claims asserting such infringement;

9.3.5 Tekmira's obligations under the Collaboration Research Plan and the Manufacturing Activities will be performed with requisite care, skill and diligence, in accordance with applicable laws and industry standards, and by individuals who are appropriately trained and qualified, and at the time of delivery to Alnylam, the Alnylam Royalty Products Manufactured and supplied by Tekmira under this Agreement (a) will have been Manufactured in accordance with the master batch records and released in accordance with the Specifications (as such term is defined in the Supply Agreement) for such Alnylam Royalty Product and cGMP (if applicable), and all other applicable laws, and (b) will not be adulterated or misbranded under all applicable laws; and

9.3.6 Prior to the Effective Date Tekmira re-sold all the Shares in a manner consistent with the terms of the Original Agreement, and pursuant to and in accordance with the Plan of Distribution and other terms and conditions set forth in the Registration Statement on Form S-3ASR filed by Alnylam on January 18, 2007, and all other applicable law. During the period from the Original Effective Date through the Effective Date, Tekmira was and is not an "investment company" under the U.S. Investment Company Act of 1940, as amended, and during the Agreement Term Tekmira shall take, all actions necessary to ensure that it is not an "investment company" under the U.S. Investment Company Act of 1940, as amended.

9.3.7 As of the Effective Date, (a) Tekmira is not and will not be in default in the performance or in breach of any of its obligations pursuant to any Transaction Document, (b) no representation or warranty of Tekmira set forth in any Transaction Document shall have been untrue when made and (c) Tekmira shall not have committed any fraud or material misstatement or omission of fact in its dealings with Alnylam pursuant to the Transaction Documents.

9.3.8 The [**] does not provide that any payments other than milestone and royalty payments will be owed or would be owed by the [**] to Protiva or its Affiliates with respect to the development or commercialization of any product due to the coverage of such product by any claims (whether issued or pending) covering any Restricted Joint Invention.

9.4 Warranty Disclaimer. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT OR IN THE OTHER TRANSACTION DOCUMENTS, NEITHER PARTY MAKES ANY REPRESENTATION OR EXTENDS ANY WARRANTY OR CONDITIONS OF ANY KIND, EITHER EXPRESS OR IMPLIED, TO THE OTHER PARTY WITH RESPECT TO ANY INTELLECTUAL PROPERTY, ROYALTY PRODUCTS, GOODS, THE COLLABORATION, RIGHTS OR OTHER SUBJECT MATTER OF THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS AND HEREBY DISCLAIMS ALL IMPLIED CONDITIONS, REPRESENTATIONS, AND WARRANTIES, INCLUDING WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT OR VALIDITY OF PATENT RIGHTS WITH RESPECT TO ANY AND ALL OF THE FOREGOING. EACH PARTY HEREBY DISCLAIMS ANY REPRESENTATION OR WARRANTY THAT THE DEVELOPMENT, MANUFACTURE OR

COMMERCIALIZATION OF ANY ROYALTY PRODUCT PURSUANT TO THIS AGREEMENT WILL BE SUCCESSFUL OR THAT ANY PARTICULAR SALES LEVEL WITH RESPECT TO SUCH ROYALTY PRODUCTS WILL BE ACHIEVED.

9.5 Indemnification.

9.5.1 Indemnification by Tekmira. Tekmira shall indemnify, hold harmless, and defend Alnylam, its Affiliates, and their respective directors, officers, employees, consultants and agents ("Alnylam Indemnitees") from and against any and all Third Party claims, suits, losses, liabilities, damages, costs, fees and expenses (including reasonable legal fees) (collectively, "Losses") arising out of or resulting from, directly or indirectly, (a) any breach of, or inaccuracy in, any representation or warranty made by Tekmira in this Agreement or in the other Transaction Documents, or any breach or violation of any covenant or agreement of Tekmira in or pursuant to this Agreement or in the other Transaction Documents, (b) the negligence or willful misconduct by or of Tekmira, its Affiliates and its and their respective Sublicensees, and their respective directors, officers, employees, consultants and agents, (c) the Research, Development, Manufacture or Commercialization of a Tekmira Royalty Product to the extent such activities are not performed by an Alnylam Indemnitee, or (d) the performance by Tekmira of its obligations under the Collaboration or the Manufacturing Activities. The indemnification obligations under this Agreement exclude Losses arising out of Infringement Claims resulting from Tekmira's exercise in accordance with the terms of this Agreement of any Intellectual Property Rights granted by Alnylam to Tekmira or its Affiliates hereunder. Tekmira shall have no obligation to indemnify the Alnylam Indemnitees to the extent that the Losses arise out of or result from, directly or indirectly, (i) any breach of, or inaccuracy in, any representation or warranty made by Alnylam in this Agreement or in the other Transaction Documents, (ii) any breach or violation of any covenant or agreement of Alnylam in or pursuant to this Agreement or the other Transaction Documents, or (iii) the negligence or willful misconduct by or of any of the Alnylam Indemnitees or Alnylam Sublicensees.

9.5.2 Indemnification by Alnylam. Alnylam shall indemnify, hold harmless, and defend Tekmira, its Affiliates and their respective directors, officers, employees, consultants and agents ("Tekmira Indemnitees") from and against any and all Losses arising out of or resulting from, directly or indirectly, (a) any breach of, or inaccuracy in, any representation or warranty made by Alnylam in this Agreement or in the other Transaction Documents, or any breach or violation of any covenant or agreement of Alnylam in or pursuant to this Agreement or the other Transaction Documents, (b) the negligence or willful misconduct by or of Alnylam, its Affiliates and its and their respective Sublicensees, and their respective directors, officers, employees, consultants and agents, (c) the Research, Development, Manufacture or Commercialization of an Alnylam Royalty Product to the extent such activities are not performed by a Tekmira Indemnitee, or (d) the performance by Alnylam of its obligations under the Collaboration. The indemnification obligations under this Agreement exclude Losses arising out of Infringement Claims resulting from Alnylam's exercise in accordance with the terms of this Agreement or the UBC Sublicense Documents of any Intellectual Property Rights granted by Tekmira to Alnylam or its Affiliates hereunder or thereunder. Furthermore, Alnylam shall have no obligation to indemnify the Tekmira Indemnitees to the extent that the Losses arise out of or result from, directly or indirectly, (i) any breach of, or inaccuracy in, any representation or warranty made by Tekmira in this Agreement or in the other Transaction Documents, (ii) any breach or violation of any covenant or agreement of Tekmira in or pursuant to this Agreement or the other Transaction Documents, (iii) the negligence or willful misconduct by or of any of the Tekmira Indemnitees or Tekmira Sublicensees, and/or (iv) the Research, Development or Manufacturing of an Alnylam Royalty Product to the extent such activities are performed by a Tekmira Indemnitee.

9.5.3 Indemnification Procedure. In the event of any such claim against any Tekmira Indemnitee or Alnylam Indemnitee (individually, an "Indemnitee"), the indemnified Party shall promptly notify the other Party in writing of the claim and the indemnifying Party shall manage and control, at its sole expense, the defense of the claim and its settlement. The Indemnitee shall cooperate with the indemnifying Party and may, at its option and expense, be represented in any such action or proceeding. The indemnifying Party shall not be liable for any settlements, litigation costs or expenses incurred by any Indemnitee without the indemnifying Party's written authorization. Notwithstanding the foregoing, if the indemnifying Party believes that any of the exceptions to its obligation of indemnification of the Indemnitees set forth in Sections 9.5.1 or 9.5.2 may apply, the indemnifying Party shall promptly notify the Indemnitees, which shall then have the right to be represented in any such action or proceeding by separate counsel at their expense; provided, that the indemnifying Party shall be responsible for payment of such expenses if the Indemnitees are ultimately determined to be entitled to indemnification from the indemnifying Party.

9.6 Limitation of Liability. NEITHER PARTY HERETO WILL BE LIABLE FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES ARISING OUT OF THIS AGREEMENT OR THE OTHER TRANSACTION DOCUMENTS OR THE EXERCISE OF ITS RIGHTS HEREUNDER OR THEREUNDER, INCLUDING LOST PROFITS ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF SUCH DAMAGES, EXCEPT AS A RESULT OF A PARTY'S WILLFUL MISCONDUCT OR A MATERIAL BREACH OF THE CONFIDENTIALITY AND NON-USE OBLIGATIONS IN ARTICLE 8. NOTHING IN THIS SECTION 9.6 IS INTENDED TO LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF EITHER PARTY.

9.7 Injunctive Relief. Each Party acknowledges the competitive and technical value and the sensitive and confidential nature of the Confidential Information, and agrees that monetary damages alone will be inadequate to protect the other Party's interests against any actual or threatened material breach of Article 8 of this Agreement. Each Party further acknowledges the importance of the standstill obligations in Section 12.17 to the other Party's business and corporate development, and agrees that monetary damages alone will be inadequate to protect the other Party's interests against any actual or threatened material breach of Section 12.17 of this Agreement. Accordingly, each Party consents to the granting of specific performance and injunctive or other equitable or other relief to the other Party in respect of any actual or threatened breach of Article 8 or Section 12.17 of this Agreement, without proof of actual damages. These specific remedies are in addition to any other remedy to which the Parties may be entitled at law or in equity.

9.8 Insurance. Each Party shall secure and maintain in full force and effect throughout the term of this Agreement (and for at least three (3) years thereafter for claims made coverage), insurance with coverage and minimum policy limits set forth as follows:

(a) Alnylam:

(i) *Worker's Compensation*, (to the extent applicable) including coverage for occupational disease, with benefits determined by statute, and at least [**] of coverage for *Employer's Liability*.

(ii) *Comprehensive General Liability* and *Personal/Advertising Injury*, including coverage for contractual liability assumed by such Party and coverage for such Party's independent contractor(s), with per occurrence limits of at least [**] each and a general aggregate limit of [**].

(iii) *Umbrella Liability*, exclusive of the coverage provided by the policies listed above, with a limit per occurrence of at least [**].

(vi) *Products Liability*, exclusive of the coverage provided by the Comprehensive General Liability policy, with an aggregate limit of at least (i) [**] upon the earlier of (x) initiation of clinical studies of a Royalty Product by such Party or (y) the commencement of Manufacturing of a Royalty Product by or on behalf of such Party, and (ii) [**] upon the First Commercial Sale of a Royalty Product by such Party; and

(b) Tekmira:

(i) *Worker's Compensation*, (to the extent applicable) including coverage for occupational disease, with benefits determined by statute, and at least [**] of coverage for Employer's Liability.

(ii) *Commercial General Liability*, including coverage for contractual liability assumed by such Party and coverage for such Party's independent contractor(s), with per occurrence limits of at least [**] each and a general aggregate limit of [**].

(iii) *Umbrella / Excess Liability*, exclusive of the coverage provided by the policies listed above, with a limit per occurrence of at least [**].

(iv) *Products Liability*, exclusive of the coverage provided by the Commercial General Liability policy, with an aggregate limit of at least (i) [**] per claim and [**] on an annual aggregate basis upon the earlier of (x) initiation of clinical studies of a Royalty Product by such Party or (y) the commencement of Manufacturing of a Royalty Product by or on behalf of such Party, and (ii) [**] upon the First Commercial Sale of a Royalty Product by such Party or an amount mutually agreed to by both Parties.

Each Party shall furnish to the other Party a certificate from an insurance carrier (having a minimum AM Best rating of A) demonstrating the insurance requirements set forth above. The insurance certificate shall confirm each of the following: (x) such insurance is primary and non-contributing to any liability insurance carried by the other Party; and (y) the insured shall endeavor to provide thirty (30) days prior written notice to the other Party in the event of cancellation. Provided that Tekmira, acting reasonably, determines it is not prejudicial to its business interests (and provided that such provision is available from Tekmira's then-current insurance underwriter) Tekmira will add Alnylam as an "additional insured" under its Products Liability Policy at any time during the term of this Agreement (and in any event, Tekmira shall use commercially reasonable efforts to add Alnylam as an "additional insured" under its Products Liability Policy before the first commercial sale of any Alnylam Royalty Product). Alnylam agrees that upon Tekmira adding Alnylam as an "additional insured" under its Products Liability Policy, Alnylam will also add Tekmira as an "additional insured" under its own Products Liability policy.

10. INTELLECTUAL PROPERTY OWNERSHIP, PROTECTION AND RELATED MATTERS

10.1 Inventorship and Ownership of Collaboration IP. (a) Inventorship for patentable inventions conceived or reduced to practice during the course of the performance of activities pursuant to this Agreement shall be determined in accordance with United States patent laws for determining inventorship.

(b) The Parties hereby acknowledge and agree that except as otherwise provided in this Agreement, any Intellectual Property Rights owned by either Party prior to the Original Effective Date shall remain owned by such Party. Alnylam shall own the entire right, title and interest in and to all Alnylam Collaboration IP. Subject to clause (c) below, Tekmira shall own the entire right, title and interest in and to all Tekmira Collaboration IP. The Parties shall jointly own any Joint Collaboration IP.

(c) Subject to the grant of license rights between the Parties set forth in this Agreement, Tekmira agrees to promptly assign its right, title and interest in and to all Tekmira Collaboration IP to UBC, (i) all in accordance with the terms of the UBC-Tekmira License Agreement and the UBC Sublicense Documents, and (ii) subject to the grant by UBC of an exclusive license to Tekmira in the Alnylam Field under the UBC-Tekmira License Agreement, and, subject to Section 6.4(a)(ii), to the grant by Tekmira of an exclusive license to Alnylam in the Alnylam Field under the UBC Sublicense Documents.

10.2 Prosecution and Maintenance of Patent Rights.

10.2.1 Alnylam Patent Rights and Know-How. Alnylam has the sole responsibility to, at Alnylam's discretion, file, prosecute, conduct *ex parte* and *inter partes* proceedings (including the defense of any interference or opposition proceedings) and maintain, in the Territory, all Patent Rights comprising Alnylam RNAi Technology, Alnylam IOC Technology or Alnylam Collaboration IP, in Alnylam's name.

10.2.2 Tekmira Patent Rights and Know-How. Tekmira has the sole responsibility to, at Tekmira's discretion, file, prosecute, conduct *ex parte* and *inter partes* proceedings, (including the defense of any interference or opposition proceedings), and maintain, in the Territory, all Patent Rights comprising Tekmira Technology or Tekmira IOC Technology, in Tekmira's name, or Tekmira Collaboration IP, in UBC's name.

10.2.3 Joint Collaboration IP. Subject to Tekmira's continuing right to the prior review of, comment on, revision to and approval of material documents, which shall not be unreasonably delayed or withheld, Alnylam has the sole responsibility to, at Alnylam's discretion, file, conduct *ex parte* and *inter partes* prosecution, and maintain (including the defense of any interference or opposition proceedings) in the Territory, all Patent Rights comprising Joint Collaboration IP, in the names of both Tekmira and Alnylam. Each Party shall use Commercially Reasonable Efforts to make available to Alnylam or its authorized attorneys, agents or representatives, such of its employees as Alnylam in its

reasonable judgment deems necessary in order to assist it in obtaining patent protection for such Joint Collaboration IP. Each Party shall sign, or use Commercially Reasonable Efforts to have signed, all legal documents necessary to file and prosecute patent applications or to obtain or maintain patents in respect of such Joint Collaboration IP, at no cost to Alnylam.

10.2.4 Contingent Rights.

(a) In the event that Alnylam elects not to seek or continue to seek or maintain patent protection on any Alnylam IOC Technology or Alnylam Collaboration IP which is subject to Tekmira's licensed rights under Section 6.1.2(a) or (b), or Joint Collaboration IP, then Tekmira shall have the right (but not the obligation), at its expense, to file, prosecute and maintain in any country within the Territory patent protection on such Alnylam IOC Technology or Alnylam Collaboration IP in the name of Alnylam or on such Joint Collaboration IP in the names of Alnylam and Tekmira. In the event that Alnylam declines to file, prosecute and/or maintain Valid Claims at Tekmira's request in Joint Collaboration IP, then Tekmira shall have the right (but not the obligation) at its expense, to file, prosecute and maintain in any country within the Territory patent prosecution on such Joint Collaboration IP in the names of Alnylam and Tekmira.

(b) In the event that Tekmira elects not to seek or continue to seek or maintain patent protection on any Tekmira Technology or Tekmira Collaboration IP, which is subject to Alnylam's licensed rights under Section 6.1.1(a), then subject to the provisions of the UBC Sublicense Documents, Alnylam shall have the right (but not the obligation), at its expense, to prosecute and maintain in any country within the Territory patent protection on such Tekmira Technology in the name of Tekmira or Tekmira Collaboration IP in the name of UBC.

(c) The Party having the right to prosecute and maintain patents under Sections 10.2.1, 10.2.2 and 10.2.3 shall be referred to as the "Prosecuting Party". The Prosecuting Party shall use Commercially Reasonable Efforts to make available to the other Party or its authorized attorneys, agents or representatives, such of its employees as are reasonably necessary to assist the other Party in obtaining and maintaining the patent protection described under this Section 10.2.4. The Prosecuting Party shall sign or use Commercially Reasonable Efforts to have signed all legal documents necessary to file and prosecute such patent applications or to obtain or maintain such patents.

10.2.5 Cooperation. Each Party hereby agrees: (a) to make its employees, agents and consultants reasonably available to the other Party (or to the other Party's authorized attorneys, agents or representatives), to the extent reasonably necessary to enable such Party to undertake patent prosecution; (b) to provide the other Party with copies of all material correspondence pertaining to prosecution with the patent offices; (c) to cooperate, if necessary and appropriate, with the other Party in gaining patent term extensions wherever applicable to Patent Rights; and (d) to endeavor in good faith to coordinate its efforts with the other Party to minimize or avoid interference with the prosecution and maintenance of the other Party's patent applications.

10.2.6 Patent Expenses. The patent filing, prosecution and maintenance expenses incurred after the Original Effective Date with respect to Patent Rights comprised of Alnylam Core Patent Rights, Alnylam IOC Technology, Alnylam Lipidoid Patent Rights, Tekmira Technology, Tekmira IOC Technology and Collaboration IP shall be borne by each Party having the right to file, prosecute and maintain such Patent Rights under this Section 10.2.

10.3 Third Party Infringement.

10.3.1 Notices. Each Party shall promptly report in writing to the other Party during the Agreement Term (a) any known or suspected infringement of any Alnylam RNAi Technology, Alnylam IOC Technology, Tekmira Technology, Tekmira IOC Technology or Collaboration IP with respect to a Royalty Product, or (b) unauthorized use or misappropriation of any Confidential Information by a Third Party of which it becomes aware, and shall provide the other Party with all available evidence supporting such infringement, or unauthorized use or misappropriation

10.3.2 Rights to Enforce.

(a) Subject to the provisions of any Tekmira In-License and the provisions of the UBC Sublicense Documents, in respect of the Alnylam Royalty Products in the Alnylam Field in the Territory, Alnylam shall have the sole and exclusive right to initiate an infringement or other appropriate suit anywhere in the world against any Third Party who at any time has infringed, or is suspected of infringing, any Patent Rights, or of using without proper authorization, any Know-How, comprising any of the Exclusively Licensed Tekmira IP, with respect to such Alnylam Royalty Products.

(b) Tekmira shall have the sole and exclusive right to initiate an infringement or other appropriate suit anywhere in the world against any Third Party who at any time has infringed, or is suspected of infringing, any Patent Rights, or of using without proper authorization, any Know-How, comprising any Non-Exclusively Licensed Tekmira IP other than any Patent Rights or Know-How comprising Joint Collaboration IP.

(c) Alnylam shall have the sole and exclusive right to initiate an infringement or other appropriate suit anywhere in the world against any Third Party who at any time has infringed, or is suspected of infringing, any Patent Rights, or of using without proper authorization any Know-How, comprising Alnylam RNAi Technology, Alnylam IOC Technology or Alnylam Collaboration IP; provided, that if Alnylam fails to initiate a suit or take other appropriate action with respect to Alnylam IOC Technology in the United States with respect to an IOC Product that it has the initial right to initiate or take pursuant thereto within ninety (90) days after becoming aware of the basis for such suit or action, then Tekmira may, in its discretion, provide Alnylam with written notice of Tekmira's intent to initiate a suit or take other appropriate action with respect to such IOC Product. If Tekmira provides such notice and Alnylam fails to initiate a suit or take such other appropriate action within thirty (30) days after receipt of such notice from Tekmira, then Tekmira shall have the right to initiate a suit or take other appropriate action that it believes is reasonably required to protect its licensed interests under the Alnylam IOC Technology and Alnylam Collaboration IP with respect to such IOC Product.

(d) Alnylam shall have the first right to initiate an infringement or other appropriate suit anywhere in the world against any Third Party who at any time has infringed, or is suspected of infringing, any Patent Rights, or of using without proper authorization any Know-How, comprising Joint Collaboration IP that is Non-Exclusively Licensed Tekmira IP; provided, that if Alnylam fails to initiate a suit or take other appropriate action with respect to such Joint Collaboration IP in the Territory within ninety (90) days after becoming aware of the basis for such suit or action, then Tekmira may, in its discretion, provide Alnylam with written notice of Tekmira's intent to initiate a

suit or take other appropriate action with respect to such Joint Collaboration IP. If Tekmira provides such notice and Alnylam fails to initiate a suit or take such other appropriate action within thirty (30) days after receipt of such notice from Tekmira, then Tekmira shall have the right to initiate a suit or take other appropriate action that it believes is reasonably required to protect its licensed interests under such Joint Collaboration IP.

10.3.3 Procedures; Expenses and Recoveries. The Party having the right to initiate any infringement suit pursuant to Section 10.3.2 above shall have the sole and exclusive right to select counsel for any such suit, and shall pay all expenses of the suit, including legal fees and court costs and reimbursement of the other Party's reasonable out-of-pocket expense in rendering assistance requested by the initiating Party. If required under applicable law in order for the initiating Party to initiate and/or maintain such suit, or if the initiating Party is unable to initiate or prosecute such suit solely in its own name or it is otherwise advisable to obtain an effective legal remedy, in each case, the other Party shall join as a party to the suit and will execute and cause its Affiliates to execute all documents necessary for the initiating Party to initiate litigation to prosecute and maintain such action. In addition, at the initiating Party's request, the other Party shall provide reasonable assistance to the initiating Party in connection with an infringement suit at no charge to the initiating Party except for reimbursement by the initiating Party of reasonable out-of-pocket expenses incurred in rendering such assistance. The other Party shall have the right to participate and be represented in any such suit by its own counsel at its own expense, and to share equally all expenses of such suit if it so elects. If the Parties obtain from a Third Party, in connection with such suit, any damages, license fees, royalties or other compensation (including any amount received in settlement of such litigation), such amounts shall be allocated in all cases, first to reimburse each Party for all expenses of the suit, including legal fees and disbursements, court costs and other litigation expenses; with the balance being allocated as follows:

(i) in the case of amounts received in respect of an infringement of Exclusively Licensed Tekmira IP in a suit brought by Alnylam pursuant to Section 10.3.2(a) with respect to an Alnylam Royalty Product, such amount remaining after deduction of expenses as set forth above shall be treated as if it were Net Sales of such Alnylam Royalty Product, with Tekmira receiving a royalty on such remaining amount pursuant to the terms of Section 7.3.1; and the balance being retained by Alnylam; or

(ii) in the case of amounts received in respect of an infringement suit brought by Tekmira pursuant to Section 10.3.2(b), the entire such amount remaining after deduction of expenses as set forth above shall be retained by Tekmira; or

(iii) in the case of amounts received in respect of an infringement of Alnylam RNAi Technology, Alnylam IOC Technology or Alnylam Collaboration IP in a suit brought by Alnylam pursuant to Section 10.3.2(c), such amount remaining after deduction of expenses as set forth above shall be retained by Alnylam; or

(iv) in the case of amounts received in respect of an infringement suit brought by Tekmira pursuant to the proviso in Section 10.3.2(c) with respect to an IOC Product, such amount remaining after deduction of expenses as set forth above shall be treated as if it were Net Sales of such IOC Product, with Alnylam receiving a royalty on such remaining amount pursuant to the terms of Section 7.3.2; and the balance being retained by Tekmira; or

(v) in the case of amounts received in respect of an infringement suit brought by either Party with respect to Joint Collaboration IP that is Non-Exclusively Licensed Tekmira IP pursuant to Section 10.3.2(d), the entire such amount remaining after deduction of expenses as set forth above shall be paid to the Party conducting the litigation, or shared equally if both Parties participated voluntarily throughout the litigation and shared its expenses.

10.4 Claimed Infringement.

10.4.1 Notice. In the event that a Third Party at any time provides written notice of a claim to, or brings an action, suit or proceeding against, any Party or any of their respective Affiliates or Sublicensees, claiming infringement of its patent rights or unauthorized use or misappropriation of its know-how, based upon an assertion or claim arising out of the use of the Intellectual Property Rights of the other Party that is licensed or assigned under this Agreement in the Research, Development, Manufacture or Commercialization of a Royalty Product in the Territory and in (a) the Alnylam Field, in the case of Alnylam Royalty Products and Tekmira Development Products or (b) the Tekmira IOC Field, in the case of Tekmira IOC Products ("Infringement Claim"), such Party shall promptly notify the other Party of the claim or the commencement of such action, suit or proceeding, enclosing a copy of the claim and all papers served.

10.4.2 Responsibility.

(a) **Alnylam Royalty Products**. Any Infringement Claim brought against either Party or its Affiliates or Sublicensees arising out of the Research, Development, Manufacture or Commercialization of any Alnylam Royalty Product in the Alnylam Field in the Territory, shall be defended by Alnylam if it so desires. Tekmira agrees to make reasonably available to Alnylam its advice and counsel regarding the technical merits of any such claim and to offer reasonable assistance to Alnylam at no cost to Alnylam.

(b) **Tekmira Royalty Products**. Any Infringement Claim brought against either Party or its Affiliates or Sublicensees arising out of the Research, Development, Manufacture or Commercialization of any Tekmira Royalty Product in the Territory and in (a) the Alnylam Field, in the case of Tekmira Development Products or (b) the Tekmira IOC Field, in the case of Tekmira IOC Products, shall be defended by Tekmira if it so desires. All liabilities, damages, costs and expenses arising out of such Infringement Claims shall be borne by Tekmira.

10.4.3 Procedure. The Party with responsibility for the Infringement Claim under Section 10.4.2 (the "Responsible Party") shall have the sole and exclusive right to select counsel for any Infringement Claim; provided, that it shall consult with the other Party with respect to selection of counsel for such defense. The Responsible Party shall keep the other Party informed, and shall from time to time consult with such other Party regarding the status of any such claims and shall provide such other Party with copies of all documents filed in, and all written communications relating to, any suit brought in connection with such claims. The other Party shall also have the right to participate and be represented in any such claim or related suit, at its own expense. The other Party shall have the sole and exclusive right to control the defense of an Infringement Claim in the event the Responsible Party fails to exercise its right to assume such defense within thirty (30) days following written notice of such Infringement Claim. No Party shall settle any claims or suits involving rights of another Party without obtaining the prior written consent of such other Party, which consent shall not be unreasonably withheld.

10.4.4 Limitations. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, THE FOREGOING STATES THE ENTIRE RESPONSIBILITY OF ALNYLAM AND TEKMIRA, AND THE SOLE AND EXCLUSIVE REMEDY OF ALNYLAM OR TEKMIRA, AS THE CASE MAY BE, IN THE CASE OF ANY CLAIMED INFRINGEMENT OF ANY THIRD PARTY PATENT RIGHTS OR UNAUTHORIZED USE OR MISAPPROPRIATION OF ANY THIRD PARTY'S KNOW-HOW.

10.5 Other Infringement Resolutions. In the event of a dispute or potential dispute that has not ripened into a demand, claim or suit of the types described in Sections 10.3 and 10.4 of this Agreement (e.g., actions seeking declaratory judgments and revocation proceedings), the same principles governing control of the resolution of the dispute, consent to settlements of the dispute, and implementation of the settlement of the dispute (including the sharing in and allocation of the payment or receipt of damages, license fees, royalties and other compensation) shall apply.

10.6 Product Trademarks. Alnylam shall own the Product Trademarks for Alnylam Royalty Products and shall be solely responsible for filing and maintaining such Product Trademarks in the Territory (including payment of costs associated therewith), Alnylam shall assume full responsibility, at its sole cost and expense, for any infringement of a Product Trademark for an Alnylam Royalty Product by a Third Party and for any claims of infringement of the rights of a Third Party by the use of a Product Trademark in connection with such Alnylam Royalty Product. Tekmira shall own the Product Trademarks for Tekmira Royalty Products and shall be solely responsible for filing and maintaining such Product Trademarks in the Territory (including payment of costs associated therewith). Tekmira shall assume full responsibility, at its sole cost and expense, for any infringement of a Product Trademark for a Tekmira Royalty Product by a Third Party and for any claims of infringement of the rights of a Third Party by the use of a Product Trademark in connection with such Tekmira Royalty Product.

10.7 Patent Term Extensions. The Parties shall use reasonable efforts to obtain all available supplementary protection certificates ("SPC") and other extensions of Patent Rights (including those available under the Hatch-Waxman Act). Each Party shall execute such authorizations and other documents and take such other actions as may be reasonably requested by the other Party to obtain such extensions. The Parties shall cooperate with each other in gaining patent term restorations, extensions and/or SPCs wherever applicable to Patent Rights. The Party first eligible to seek patent term restoration or extension of any such Patent Rights or any SPC related thereto shall have the right to do so; provided, that if in any country the first Party has an option to extend the patent term for only one of several patents, the first Party shall consult with the other Party before making the election. If more than one patent is eligible for extension or patent term restoration, the Parties shall agree upon a strategy that shall maximize patent protection and commercial value for Royalty Products, as the case may be. All filings for such extensions and certificates shall be made by the Party to whom responsibility for prosecution and maintenance of the Patent Rights is assigned, provided, that in the event that the Party to whom such responsibility is assigned elects not to file for an extension or SPC, such Party shall (a) inform the other Party of its intention not to file and (b) grant the other Party the right to file for such extension or SPC in the patentee's name and such Party shall provide all necessary assistance in connection therewith.

10.8 Patent Certification. To the extent required by law or permitted by law, the Parties shall use Commercially Reasonable Efforts to maintain with the applicable Regulatory Authorities

during the Agreement Term correct and complete listings of applicable Patent Rights for Royalty Products, as the case may be, being commercialized, including all so called "Orange Book" listings required under the Hatch-Waxman Act.

11. TERM AND TERMINATION

11.1 Effective Date; Agreement Term and Expiration. The "Effective Date" shall be the date upon which this Agreement and the Protiva License Agreement are released from escrow and delivered to the appropriate parties in accordance with the terms of the Escrow Agreement. Unless and until the foregoing condition is met, the Original Agreement shall remain in full force and effect and the terms and conditions of the Original Agreement shall govern the Parties without any regard being given to this Agreement or its terms and conditions. On the date upon which the foregoing condition is met (the "Condition Satisfaction Date"), this Agreement will supersede and replace the Original Agreement and this Agreement shall continue until terminated pursuant to Section 11.2. ("Agreement Term").

11.2 Termination for Cause.

11.2.1 Cause for Termination. This Agreement may be terminated at any time during the Agreement Term:

(a) upon written notice by either Party (the "Non-Breaching Party") if the other Party (the "Breaching Party") is in breach of any of its material obligations under this Agreement, in any case by causes and reasons within the Breaching Party's control and, if the breach is capable of being cured, the Breaching Party has not cured such breach within ninety (90) days after receiving such notice, which notice shall set out the requirements to cure such breach; provided, however, in the event of a good faith Dispute with respect to the existence of a material breach that is capable of being cured, the ninety (90) day cure period shall be tolled until such time as the Dispute is resolved pursuant to Section 12.6 hereof; or

(b) upon written notice by the Non-Breaching Party if the Breaching Party is in breach of any of its material obligations under any Transaction Document to which it is a party (other than the Supply Agreement or any Quality Agreement), in any case by causes and reasons within the Breaching Party's control, and if the breach is capable of being cured, the Breaching Party has not cured such breach within the period provided for cure under the applicable Transaction Document or, if greater, ninety (90) days after receiving such notice; provided, that (x) if the breach is capable of being cured, the written notice of breach provided by the Non-Breaching Party shall set out the requirements to cure such breach and the applicable cure period, and (y) in the event of a good faith dispute with respect to the existence of a material breach if the breach is capable of being cured, the applicable cure period shall be tolled until such time as the dispute is resolved pursuant to the dispute resolution provisions of the applicable Transaction Document, or in the absence of any dispute resolution provisions in the applicable Transaction Document, Section 12.6 hereof; or

(c) by either Party upon the filing or institution of bankruptcy, reorganization, liquidation or receivership proceedings, or upon an assignment of a substantial portion of the assets for the benefit of creditors by the other Party; provided, however, that in the event of any involuntary bankruptcy or receivership proceeding such right to terminate shall only become effective if the Party consents to the involuntary bankruptcy or receivership or such proceeding is not dismissed within thirty (30) days after the filing thereof.

11.2.2 Effect of Termination for Cause. Notwithstanding the foregoing, if the material breach has, or is reasonably likely to have, a material adverse effect only on the Research, Development, Manufacture or Commercialization of a Royalty Product in a Region or Regions, then this Agreement shall not terminate with respect to such Royalty Product in the Territory outside of such Region(s); provided, that with respect to such Royalty Product in such Region(s):

(a) except to the extent such licenses are necessary for the Breaching Party to perform its obligations under clause (c) below, the licenses granted to the Breaching Party under this Agreement with respect to the Research, Development, Manufacture and Commercialization of such Royalty Product in such Region(s) shall terminate; and

(b) subject to the Breaching Party's obligations under the In-Licenses, if the Breaching Party is

(i) Alnylam with respect to a Tekmira Development Product, the license granted to Tekmira in Section 6.1.2(a)(i) shall be converted into royalty-free, perpetual license;

(ii) Alnylam with respect to an IOC Product, the license granted to Tekmira in Section 6.1.2(b) shall be converted into a royalty-free, perpetual license; or

(iii) Tekmira with respect to an Alnylam Royalty Product, the licenses granted to Alnylam in Sections 6.1.1(a) and (b) shall be converted into a royalty-free, perpetual license and the milestone obligations with respect to such Alnylam Royalty Product shall also terminate;

provided, however, that to the extent (x) such license in clauses (i), (ii) or (iii) includes a sublicense under Necessary Third Party IP, including without limitation the In-Licenses, the non-Breaching Party shall be fully responsible for all royalties, milestones or other payments under such license of Necessary Third Party IP reasonably allocable to such Royalty Product in such Region(s) or (y) Tekmira is the Breaching Party and the applicable Alnylam Royalty Product is Covered by Intellectual Property Rights sublicensed to Alnylam by Tekmira pursuant to the UBC Sublicense Documents, Alnylam shall be fully responsible for all royalties and sublicense revenue payable by Tekmira to UBC in respect of such sublicensed Intellectual Property Rights under the Tekmira-UBC License Agreement after the effective date of clause (iii) above subject to Alnylam's right to offset such payments pursuant to Section 7.4.3;

(c) in the event that Tekmira is the Breaching Party with respect to an Alnylam Royalty Product and is Manufacturing and supplying such Alnylam Royalty Product pursuant to Section 5.1, Tekmira shall have the obligation, if requested by Alnylam, to continue to Manufacture and supply such Alnylam Royalty Product for such Region(s) for a period of up to eighteen (18) months after the effective date of termination on the same terms thereunder, the Supply Agreement and the applicable Quality Agreement.

For purposes of this Article 11, "Region" shall mean any of the following regions in the Territory: (i) [**].

*** Confidential Treatment Requested.**

Moreover, any breach of the restrictions in Section 6.1.2(b) which Tekmira fails to cure pursuant to Section 11.2.1 shall result in the termination of Tekmira's license under such Section to the Alnylam Data, but it shall not, by itself, result in the termination of any other licenses to Tekmira under this Agreement unless Alnylam meets the burden of demonstrating that such breach has had or is reasonably likely to have a material adverse effect on the benefits, taken as a whole, that Alnylam reasonably anticipates it will obtain from this Agreement and the Protiva License Agreement and the activities and grants contemplated under such agreements.

11.3 Termination upon Bankruptcy of a Party. If this Agreement is terminated by either Party (the "Non-Bankrupt Party") pursuant to Section 11.2.1(c) due to the rejection of this Agreement by or on behalf of the other Party (the "Bankrupt Party") under Section 365 of the United States Bankruptcy Code (the "Code"), all licenses and rights to licenses granted under or pursuant to this Agreement by the Bankrupt Party to the Non-Bankrupt Party are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the Code, licenses of rights to "intellectual property" as defined under Section 101(35A) of the Code. The Parties agree that the Non-Bankrupt Party, as a licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the Code, and that upon commencement of a bankruptcy proceeding by or against the Bankrupt Party under the Code, the Non-Bankrupt Party shall be entitled to a complete duplicate of, or complete access to (as the Non-Bankrupt Party deems appropriate), any such intellectual property and all embodiments of such intellectual property. Such intellectual property and all embodiments thereof shall be promptly delivered to the Non-Bankrupt Party (a) upon any such commencement of a bankruptcy proceeding upon written request therefor by the Non-Bankrupt Party, unless the Bankrupt Party elects to continue to perform all of its obligations under this Agreement or (b) if not delivered under (a) above, upon the rejection of this Agreement by or on behalf of the Bankrupt Party upon written request therefor by the Non-Bankrupt Party. The foregoing provisions are without prejudice to any rights the Non-Bankrupt Party may have arising under the Code or other applicable law.

11.4 Termination upon a Change of Control. Upon Tekmira (a) receiving or otherwise becoming aware of a proposal or intention by a Third Party to take any action, whether directly or indirectly, including without limitation a non-binding letter of intent, that could lead to a Change of Control, (b) Tekmira planning to solicit or soliciting offers relating to its or Protiva's voting securities or assets that could lead to a Change of Control, or (c) any Change of Control, Tekmira shall provide prompt written notice thereof to Alnylam. In the event of a Change of Control Alnylam may elect, upon prior written notice to Tekmira, to terminate any or all of the following: (i) the Collaboration, (ii) all Manufacturing Activities, the Supply Agreement and/or any Quality Agreements, (iii) Section 12.17 and/or (v) Alnylam's license grants to Tekmira under the Alnylam Lipidoid Patent Rights; provided, however, that subject to the terms and conditions of the MIT License Agreement, to the extent that a Tekmira Development Product is Covered by a Valid Claim of an Alnylam Lipidoid Patent Right and is also comprised of a Library Component (as defined in the MIT License Agreement) on the effective date of termination, such license grant shall survive, but only with respect to such Tekmira Development Product and such Library Component.

11.5 Termination upon an Invalidity Challenge.

(a) **Invalidity Challenge by Alnylam**. If Alnylam or its Related Party asserts in any court or other governmental agency of competent jurisdiction that a Tekmira Patent Right or a Patent Right Controlled by Tekmira by virtue of the Tekmira-UBC License Agreement and sublicensed to Alnylam

pursuant to the UBC Sublicense (in either case, an "Tekmira Patent") is invalid, unenforceable, or that no issued Valid Claim embodied in such Tekmira Patent excludes a Third Party from making, having made, using, selling, offering for sale, importing or having imported an Alnylam Royalty Product in such jurisdiction, then Tekmira shall be entitled, upon written notice to Alnylam, to terminate all licenses granted to Alnylam for such Alnylam Royalty Product(s) covered by such Tekmira Patent that is under challenge in the applicable jurisdiction; provided however, that Tekmira shall not terminate such license if within thirty (30) days of Alnylam's receipt of Tekmira's notification hereunder, Alnylam has:

(i) confirmed by written notice to Tekmira that Alnylam no longer intends to challenge the validity or enforceability of such Tekmira Patent; or

(ii) provided to Tekmira documentation to confirm Alnylam's withdrawal of its filing, submission, or other process commenced in any court or other governmental agency of competent jurisdiction to challenge the validity or enforceability of any such Tekmira Patent.

(b) **Invalidity Challenge by Tekmira**. If Tekmira or its Related Party asserts in any court or other governmental agency of competent jurisdiction that any Patent Right comprising Alnylam RNAi Patent Rights, Alnylam Lipidoid Patent Rights, Alnylam IOC Technology or Alnylam Core Patent Rights is invalid, unenforceable, or that no issued Valid Claim embodied in such Patent Right excludes a Third Party from making, having made, using, selling, offering for sale, importing or having imported a Tekmira Royalty Product in such jurisdiction, then Alnylam shall be entitled, upon written notice to Tekmira, to terminate all licenses granted to Tekmira for such Tekmira Royalty Product(s) covered by the Alnylam RNAi Patent Rights, Alnylam Lipidoid Patent Rights, Alnylam IOC Technology or Alnylam Core Patent Rights under challenge in the applicable jurisdiction; provided, however, that Alnylam shall not terminate such license if within thirty (30) days of Tekmira's receipt of Alnylam's notification hereunder, Tekmira has:

(i) confirmed by written notice to Alnylam that Tekmira no longer intends to challenge the validity or enforceability or any Patent Right under the Alnylam RNAi Patent Rights, Alnylam Lipidoid Patent Rights, Alnylam IOC Technology or Alnylam Core Patent Rights; or

(ii) provided to Alnylam, documentation to confirm Tekmira's withdrawal of its filing, submission, or other process commenced in any court or other governmental agency of competent jurisdiction to challenge the validity or enforceability of any Patent Right under the Alnylam RNAi Patent Rights, Alnylam Lipidoid Patent Rights, Alnylam IOC Technology or Alnylam Core Patent Rights.

11.6 Termination of Exclusive Manufacturing Obligations. Alnylam shall have the right to terminate the Manufacturing Activities, the Supply Agreement and any Quality Agreement in the event of a breach by Tekmira of any of its material obligations under Article 5, the Supply Agreement or any Quality Agreement, in any case by causes and reasons within Tekmira's control, upon written notice to Tekmira setting out the requirements to cure, and if the breach is capable of being cured, Tekmira has not cured such breach within ninety (90) days after receiving such notice; provided, however, that in the event of a good faith Dispute with respect to the existence of a material breach that is capable of being cured, the ninety (90) day cure period shall be tolled until such time as the Dispute is resolved pursuant to Section 12.6 hereof.

11.7 Effect of Expiration or Termination; Survival. Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such expiration or termination. Any expiration or termination of this Agreement shall be without prejudice to the rights of either Party against the other accrued or accruing under this Agreement prior to expiration or termination, including without limitation the obligation to pay royalties sold prior to such expiration or termination. The provisions of Articles 1, 8, 9, and 12 and Sections 3.3 (third and fourth sentences only), 3.4, 3.6, 3.7.3, 3.7.4, 5.4, 6.1.2(b), 6.2.6, 6.3, 6.6, 7.6, 7.7, 7.8(b), 10.1, 10.2.3, 10.4.2, 10.4.3, 10.4.4, 10.5 (to the extent relevant to a demand, claim or suit of the type described in Section 10.4), 10.6, 11.2.2, 11.3, and 11.7 shall survive any expiration or termination of this Agreement; provided, however, that if this Agreement is terminated pursuant to Section 11.2.1 and the Breaching Party or the Bankrupt Party is (a) Tekmira or its Affiliate, then Sections 6.1.2(b) and 12.17 shall terminate or (b) Alnylam, then Section 6.9 shall terminate. Except as set forth in this Article 11, upon termination or expiration of this Agreement all other rights and obligations cease.

12. MISCELLANEOUS

12.1 *Force Majeure*. Neither Party shall be held liable to the other Party nor be deemed to have defaulted under or breached this Agreement for failure or delay in performing any obligation under this Agreement to the extent that such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party, potentially including without limitation embargoes, war, acts of war (whether war be declared or not), insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, fire, floods, or other acts of God, or acts, omissions or delays in acting by any governmental authority or the other Party. The affected Party shall notify the other Party of such *force majeure* circumstances as soon as reasonably practical, and shall promptly undertake all reasonable efforts necessary to cure such *force majeure* circumstances.

12.2 Assignment. This Agreement may not be assigned or otherwise transferred, nor may any right or obligation hereunder be assigned or transferred, by either Party by operation of law or otherwise, without the prior written consent of the other Party; provided, however, that subject to Section 11.4, either Party may, without the other Party's consent, assign this Agreement and its rights and obligations hereunder in whole or in part to an Affiliate or, to a party that acquires, by merger, sale of assets or otherwise, all or substantially all of the business of such Party to which the subject matter of this Agreement relates. Notwithstanding the foregoing, Tekmira may not assign (a) this Agreement or its rights and obligations hereunder to Protiva without Alnylam's prior written consent, except that Tekmira may, upon prior written notice to Alnylam, transfer its rights and obligations with respect to any Tekmira Development Target and any Tekmira Development Products to Protiva; provided that, (i) any such transfer shall be subject in all respects to the [**] Restriction and the terms of Section 3.7, (ii) Protiva is and remains a wholly-owned subsidiary of Tekmira, (iii) Protiva agrees in writing to perform all of Tekmira's obligations with respect to such Tekmira Development Target(s) and Tekmira Development Product(s) and (iv) Tekmira guarantees in writing the performance of Protiva's obligations to Alnylam with respect to such Tekmira Development Target(s) and Tekmira Development Product(s); or (b) its rights under this Agreement to perform the Collaboration or to perform Manufacturing Activities to any Tekmira Affiliate of which [**] or more of the outstanding voting securities are owned, controlled or held by a Significant Pharmaceutical Company or by any investment entity affiliated with any such Significant Pharmaceutical Company. The above notwithstanding: (i) Tekmira agrees not to assign or transfer this Agreement to any Third Party who is not also the assignee or transferee of all ownership rights in the Tekmira Technology or otherwise in a

manner that would be inconsistent with Alnylam's rights under this Agreement; and (ii) Alnylam agrees not to assign this Agreement to any Third Party who is not also the assignee or transferee of all ownership rights in the Alnylam Core Patent Rights or otherwise in a manner that would be inconsistent with Protiva's rights under this Agreement. Any attempted assignment not in accordance with this Section 12.2 shall be void. The assigning Party shall remain responsible for the performance by its assignee of this Agreement or any obligations hereunder so assigned to such assignee. Alnylam agrees to notify Tekmira in the event that all or a part of this Agreement is assigned to an Affiliate of Alnylam, which assignment may result in payments from such Affiliate to the Tekmira under the agreement; provided, however, that the failure to provide such notice shall not constitute a material breach of this Agreement.

12.3 Severability. If any one or more of the provisions contained in this Agreement is held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, unless the absence of the invalidated provision(s) adversely affects the substantive rights of the Parties. The Parties shall in such an instance use their best efforts to replace the invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provision(s) which, insofar as practical, implement the purposes of this Agreement.

12.4 Notices. All notices which are required or permitted hereunder shall be in writing and sufficient if delivered personally, sent by facsimile (and promptly confirmed by personal delivery, registered or certified mail or overnight courier), sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Alnylam, to:	ALNYLAM PHARMACEUTICALS, INC. 300 Third Street Cambridge, MA 02142 Attention: Chief Executive Officer Facsimile No.: (617) 551-8101
and:	FABER DAEUFER & ROSENBERG PC 950 Winter Street, Suite 4500 Waltham, MA 02451 Attention: Sumy Daeufer Facsimile No.: 781-795-4747
If to Tekmira, to:	TEKMIRA PHARMACEUTICALS CORPORATION #200 – 8900 Glenlyon Parkway Burnaby, B.C. Canada V5J 5J8 Attention: President and C.E.O Facsimile No.: (604) 419-3201
and:	LANG MICHENER LLP 1500-1055 West Georgia Street Vancouver, British Columbia Attention: Leo Raffin Facsimile No.: (604) 893-2356

or to such other address as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith. Any such notice shall be deemed to have been given: (a) when delivered if personally delivered or sent by facsimile on a Business day (or if delivered or sent on a non-Business Day, then on the next Business day); (b) on receipt if sent by nationally-recognized overnight courier; and/or (c) on receipt if sent by mail.

12.5 Applicable Law. The Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, U.S.A; provided that (i) matters of intellectual property law concerning the existence, validity, ownership, infringement or enforcement of intellectual property shall be determined in accordance with the national intellectual property laws relevant to the intellectual property in question, and (ii) the application of the 1980 United Nations Convention on Contracts for the International Sale of Goods is expressly excluded from this Agreement.

12.6 Dispute Resolution.

12.6.1 Disputes. The Parties shall negotiate in good faith and use reasonable efforts to settle any dispute, controversy or claim arising from, or related to, this Agreement or to the breach hereof (collectively, "Dispute"). In the event that the Chief Executive Officers cannot reach an agreement regarding a Dispute within thirty (30) days after submission to them for resolution, the provisions of Section 4.4(a) do not apply, and a Party wishes to pursue the matter, each such Dispute that is not an "Excluded Claim" shall be finally resolved by binding arbitration in accordance with the Commercial Arbitration Rules and Supplementary Procedures for Large Complex Disputes of the American Arbitration Association ("AAA") and Section 12.6.2 below, and judgment on the arbitration award may be entered in any court having jurisdiction thereof. As used in this Section 12.6, the term "Excluded Claim" shall mean a dispute that concerns (a) the validity or infringement of a patent, trademark or copyright, or (b) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory.

12.6.2 Arbitration. The arbitration shall be conducted by a panel of three (3) persons experienced in the pharmaceutical business who are independent of both Parties and neutral with respect to the Dispute presented for arbitration. Within thirty (30) days after initiation of arbitration, each Party shall select one person to act as arbitrator and the two Party-selected arbitrators shall select a third arbitrator within thirty (30) days of their appointment. If the arbitrators selected by the Parties are unable or fail to agree upon the third arbitrator, the third arbitrator shall be appointed by the AAA. The place of arbitration shall be Chicago, Illinois, USA, and all proceedings and communications shall be in English.

Either Party may apply to the arbitrators for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of that Party pending the arbitration award. The arbitrators shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages. Each Party shall bear its own costs and expenses and attorneys' fees, and the Party that does not prevail in the arbitration proceeding shall pay the arbitrators' and any administrative fees of arbitration. Except to the extent necessary to confirm an award or as may be

required by law, neither a Party nor an arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the Dispute, controversy or claim would be barred by the applicable Massachusetts statute of limitations.

(a) The Parties agree that, in the event of a Dispute over the nature or quality of performance under this Agreement, neither Party may terminate this Agreement until final resolution of the Dispute through arbitration or other judicial determination. The Parties further agree that any payments made pursuant to this Agreement pending resolution of the Dispute shall be refunded promptly if an arbitrator or court determines that such payments are not due.

(b) The Parties hereby agree that any disputed performance or suspended performances pending the resolution of the arbitration that the arbitrator determines to be required to be performed by a Party must be completed within a reasonable time period following the final decision of the arbitrator.

(c) The Parties hereby agree that any monetary payment to be made by a Party pursuant to a decision of the arbitrator shall be made in United States dollars, free of any tax or other deduction. The Parties further agree that the decision of the arbitrator shall be the sole, exclusive and binding remedy between them regarding determination of the matters presented to the arbitrator.

12.7 Entire Agreement; Amendments. This Agreement, together with the other Transaction Documents, contain the entire understanding of the Parties with respect to the subject matter hereof and licenses granted hereunder. All express or implied agreements and understandings, either oral or written, with regard to the subject matter hereof and the licenses granted hereunder, including without limitation, the Original INEX Agreements, are superseded by the terms of this Agreement and the other Transaction Documents. This Agreement (including the Schedules hereto) and the other Transaction Documents may be amended, or any term hereof modified, only by a written instrument duly executed by authorized representatives of both Parties hereto.

12.8 Headings. The captions to the Articles and Sections hereof are not a part of this Agreement, but are merely for convenience to assist in locating and reading the several Articles and Sections hereof.

12.9 Independent Contractors. It is expressly agreed that Alnylam and Tekmira shall be independent contractors and that the relationship between Alnylam and Tekmira shall not constitute a partnership, joint venture or agency. Neither Party shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior written consent of such other Party.

12.10 Waiver. The waiver by either Party hereto of any right hereunder, or of the failure of the other Party to perform, or of a breach by the other Party, shall not be deemed a waiver of any other right hereunder or of any other breach or failure by such other Party, whether of a similar nature or otherwise.

12.11 Cumulative Remedies. No remedy referred to in this Agreement is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under law.

12.12 Waiver of Rule of Construction. Each Party has had the opportunity to consult with counsel in connection with the review, drafting and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement shall be construed against the drafting Party shall not apply.

12.13 Counterparts. The Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12.14 Binding Effect. Subject to Section 11.1, as of the Effective Date, this Agreement shall be binding upon and inure to the benefit of the Parties and their respective permitted successors and permitted assigns.

12.15 No Third Party Beneficiaries. Except as expressly contemplated herein, no Third Party, including any employee of any Party to this Agreement, shall have or acquire any rights by reason of this Agreement.

12.16 Finder's Fee. Tekmira agrees to indemnify and to hold harmless Alnylam from any liability for any commission or compensation in the nature of a finder's fee (and the reasonable costs and expenses of defending against such liability or asserted liability) for which Tekmira or any of its officers, partners, employees, or representatives is responsible. Alnylam agrees to indemnify and hold harmless Tekmira from any liability for any commission or compensation in the nature of a finder's fee (and the reasonable costs and expenses of defending against such liability or asserted liability) for which Alnylam or any of its officers, employees or representatives is responsible.

12.17 Standstill.

(a) Subject to the terms of this Section 12.17, until the fifth year anniversary of the Original Effective Date, without the approval of the Board of Directors of Tekmira, neither Alnylam nor any of its Affiliates will:

(i) acquire or offer to acquire in one or more transactions, any voting securities or other securities convertible into voting securities of Tekmira representing in aggregate 10% or more of the issued and outstanding voting securities of Tekmira (assuming the conversion of such other securities convertible into voting securities of Tekmira);

(ii) solicit proxies with respect to the voting of any securities of Tekmira or otherwise attempt to influence the voting of any securities of Tekmira by the holders of such securities;

(iii) enter in any agreement with or assist any Third Party, or assist or participate in any group acting jointly or in concert, with respect to any of the foregoing; or

(iv) make any public announcement or disclosure with respect to any of the foregoing, except to the extent required by applicable law and except for disclosure of the foregoing terms as contemplated by Article 8.

(b) Alnylam represents and warrants to Tekmira that, as of the Effective Date, Alnylam, together with its Affiliates, does not beneficially own, or exercise control or direction over, any voting securities or other securities convertible into voting securities of Tekmira, except for (i) securities owned, or over which Alnylam and/or its Affiliates exercise control or direction, for purposes of any 401(k) or similar benefit plan maintained by Alnylam or its Affiliates for its or their employees over which Alnylam has no independent investment control and (ii) securities acquired by Alnylam pursuant to the Alnylam Subscription Agreement. For as long as the restrictions in Section 12.17.1(a) are in effect, Alnylam agrees to provide Tekmira with prompt notice of any acquisition of voting securities or other securities convertible into voting securities of Tekmira.

(c) Upon Tekmira receiving or otherwise becoming aware of a bona fide proposal or intention by a Third Party (other than a Permitted Investor) to take any action described in Section 12.17.1(a)(i)-(iv), whether directly or indirectly, including without limitation a non-binding letter of intent, Tekmira shall immediately notify Alnylam of such proposal or intention. The restrictions in Section 12.17.1(a) shall immediately terminate and be of no further force or effect on the earlier of (a) such bona fide proposal or intention being disclosed publicly (other than by Alnylam) or (b) the Board of Directors or management of Tekmira engaging in substantive discussions with such Third Party concerning such proposal or intention. A "Permitted Investor" means any investor, other than a pharmaceutical or biotechnology company, who acquires in one or more transactions, any voting securities or other securities convertible into voting securities of Tekmira representing in aggregate 10% or more, but less than 20%, of the issued and outstanding voting securities of Tekmira (assuming the conversion of such other securities convertible into voting securities of Tekmira), so long as such investor evidences no intent to seek to influence the management of Tekmira (other than by voting such acquired securities).

(d) In the event that Tekmira plans to solicit or does solicit offers (other than in respect of a public offering of its securities, including any private placement to a Permitted Investor) relating to the acquisition of voting securities or other securities convertible into voting securities of Tekmira representing 10% or more of the issued and outstanding voting securities of Tekmira (assuming the conversion of such other securities convertible into voting securities of Tekmira), or in the event Tekmira engages in any discussions in which Tekmira may solicit or receive any offer relating to the acquisition of an ownership interest (excluding licenses) in any Tekmira Technology, Tekmira shall immediately notify Alnylam of such circumstance and the restrictions in Section 12.17.1(a) shall immediately terminate and be of no further force or effect.

(e) Upon a breach by Tekmira of any of the representations, warranties or covenants set forth in the Alnylam Subscription Agreement, the restrictions in Section 12.17.1(a) shall immediately terminate and be of no further force or effect.

(f) Nothing in this Section 12.17.1 shall be deemed to affect or impair the right of Alnylam to enforce its lawful remedies against Tekmira or to prevent Alnylam from exercising any rights granted by Tekmira to Alnylam.

(g) Nothing in this Section 12.17.1 shall prohibit Alnylam or its Affiliates from owning or making open market purchases of any voting securities of Tekmira, or any securities convertible into or exercisable for any such voting securities, for purposes of any 401(k) or similar benefit plan maintained by Alnylam or its Affiliates for its or their employees; *provided* that Alnylam and its Affiliates will not request or direct that the trustee or other administrator of any such plan acquire any voting securities of Tekmira or exercise any influence over the voting of such securities.

(h) Alnylam and Tekmira agree and acknowledge that the restrictions contained in this Section 12.17.1: (i) shall continue in full force and effect following both the execution of the Purchase Agreement and the Closing, and (ii) shall not apply to the transactions contemplated in the Alnylam Subscription Agreement and the Roche Subscription Agreement.

12.18 Employees. Until the fifth year anniversary of the Original Effective Date, neither Alnylam nor any of its Affiliates will knowingly offer to hire or hire any individual who is, at such time, an officer or employee of Tekmira or any of its Affiliates, and who was, at any time in the preceding three (3) months, involved in (i) selecting the Tekmira Development Targets, (ii) the Research, Development, Manufacture and Commercialization of Tekmira Development Products and/or (iii) conducting the Collaboration. For clarity, placing an advertisement in a newspaper, periodical or other publication of general availability, or other general recruitment activities not directed at a particular individual, do not constitute an "offer to hire."

12.19 Protiva License Agreement. Tekmira, as the parent company of Protiva, hereby agrees to use reasonable and diligent efforts to cause Protiva to perform Protiva's obligations in accordance with the terms of the Protiva License Agreement. Moreover, Tekmira hereby unconditionally and irrevocably agrees that, if and to the extent Protiva fails to pay to Alnylam when due any financial obligation at any time owed by Protiva to Alnylam in connection with the Protiva License Agreement (including without limitation any damages for breach), Tekmira shall be responsible for such financial obligation, and will be required to make such payment to Alnylam in satisfaction of Protiva's obligation.

12.20 Further Assurances. The Parties will with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each Party will provide such further documents or instruments required by the other Party as may be reasonably necessary or desirable to give effect to the purpose of this Agreement and carry out its provisions.

[THE REMAINDER OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

TEKMIRA PHARMACEUTICAL CORPORATION		**ALNYLAM PHARMACEUTICALS, INC.**	
BY:	/s/ Ian Mortimer	BY:	/s/ John Maraganore
NAME:	Ian Mortimer	NAME:	John Maraganore
TITLE:	CFO	TITLE:	Chief Executive Officer
DATE:		DATE:	

SCHEDULE 1.4

ALNYLAM CORE PATENT RIGHTS

[**]

A total of eight pages were omitted pursuant to a request with the Securities and Exchange Commission.

***Confidential Treatment Requested.**

SCHEDULE 1.6

ALNYLAM IOC PATENT RIGHTS

[**]

***Confidential Treatment Requested.**

SCHEDULE 1.7

ALNYLAM LIPIDOID PATENT RIGHTS

[**]

***Confidential Treatment Requested.**

SCHEDULE 1.15

BIODEFENSE TARGETS

[**]

A total of three pages were omitted pursuant to a request with the Securities and Exchange Commission.

***Confidential Treatment Requested.**

SCHEDULE 1.35

EXISTING ALNYLAM IN-LICENSES

[**]

***Confidential Treatment Requested.**

SCHEDULE 1.36

EXISTING TEKMIRA IN-LICENSES

[**]

***Confidential Treatment Requested.**

SCHEDULE 1.73

TEKMIRA PATENT RIGHTS

[**]

A total of thirty pages were omitted pursuant to a request with the Securities and Exchange Commission.

***Confidential Treatment Requested.**

SCHEDULE 1.78

PRE-EXISTING ALNYLAM ALLIANCE AGREEMENTS

[**]

***Confidential Treatment Requested.**

SCHEDULE 3.1

UPDATED RESEARCH PLAN

[**]

***Confidential Treatment Requested.**

SCHEDULE 5.1

UPDATED MANUFACTURING PLAN

[**]

***Confidential Treatment Requested.**

SCHEDULE 6.2.2

ROCHE SUBLICENSE AGREEMENT

[**]

A total of four pages were omitted pursuant to a request with the Securities and Exchange Commission.

***Confidential Treatment Requested.**

SCHEDULE 6.4(a)

TEKMIRA IN-LICENSE PROVISION

[**]

***Confidential Treatment Requested.**

SCHEDULE 6.4(b)

MIT LICENSE AGREEMENT OBLIGATIONS

[**].

A total of two pages were omitted pursuant to a request with the Securities and Exchange Commission.

***Confidential Treatment Requested.**

SCHEDULE 9

EXCEPTIONS TO REPRESENTATIONS AND WARRANTIES

[**]

***Confidential Treatment Requested.**

Exhibit 4.5

* Confidential Treatment has been requested for the marked portions of this exhibit pursuant to Rule 24B-2 of the Securities Exchange Act of 1934, as amended.

EXECUTION COPY

AMENDED AND RESTATED

CROSS-LICENSE AGREEMENT

Between

ALNYLAM PHARMACEUTICALS, INC.

And

PROTIVA BIOTHERAPEUTICS INC.

Dated: May 30, 2008

AMENDED AND RESTATED CROSS-LICENSE AGREEMENT

This Amended and Restated Cross-License Agreement (this "Agreement") is entered into as of May 30, 2008, by and between ALNYLAM PHARMACEUTICALS, INC., a corporation organized under the laws of the State of Delaware having a principal office at 300 Third Street, Cambridge, MA 02142, U.S.A., and PROTIVA BIOTHERAPEUTICS INC., a Canadian corporation, having a principal office at 100-3480 Gilmore Way, Burnaby, B.C., Canada.

RECITALS

WHEREAS, ALNYLAM owns or controls certain intellectual property covering fundamental aspects of the structure and uses of therapeutic products that (a) function through RNA interference ("RNAi"), including but not limited to compositions and methods of use of siRNAs (defined below), or (b) are, or function through the modulation of, miRNAs (as defined below); and ALNYLAM is developing capabilities to develop and commercialize such therapeutic products;

WHEREAS, PROTIVA owns or controls certain intellectual property covering certain targeted nucleic acid delivery technology known as Stable Nucleic Acid Lipid Particle technology (the "SNALP Technology") which is useful for the delivery of a variety of therapeutic products that function through RNAi or are, or function through the modulation of, miRNA, and is also engaged in the business of discovering, developing, manufacturing and commercializing human therapeutic products;

WHEREAS, ALNYLAM and PROTIVA are parties to a Cross-License Agreement dated as of August 14, 2007 (the "Original Cross-License Agreement") under which:

(i) ALNYLAM granted PROTIVA non-exclusive licenses under certain ALNYLAM intellectual property to research, develop and commercialize products directed at up to four Targets (as defined below). PROTIVA selected the PLK Target and the Second Target (each as defined below) prior to the effective date of this Agreement, and has the right to select two additional Targets, subject to ALNYLAM's obligations to Third Parties (as defined below) and the terms of this Agreement;

(ii) PROTIVA granted ALNYLAM a non-exclusive license under certain of PROTIVA's intellectual property related to delivery technologies also known as SNALP Technology with application to one or more products to be researched, developed and commercialized by ALNYLAM alone or in partnership with Third Parties; and

(iii) ALNYLAM agreed to support certain research and development activities to be conducted by PROTIVA over a [**]-year period to develop RNAi products to be delivered using PROTIVA's technology, and obtained a non-exclusive license under certain PROTIVA intellectual property to further develop and commercialize the products that are the subject of such research and development activities;

WHEREAS, following the execution of the Original Cross-License Agreement, PROTIVA entered into [**] agreement (the "[**]") with [**] and its affiliated companies

***Confidential Treatment Requested.**

(including without limitation [**]) (collectively, the "[**]") effective as of [**], under which, among other things, PROTIVA granted to the [**] a non-exclusive license to certain intellectual property of PROTIVA;

WHEREAS, ALNYLAM and TEKMIRA Pharmaceuticals Corporation (as successor in interest to Inex Pharmaceuticals Corporation) ("TEKMIRA") are parties to a License and Collaboration Agreement dated as of January 8, 2007 (the "Original ALNYLAM-TEKMIRA License Agreement"), which as a condition to ALNYLAM's agreement to enter into this Agreement, is being amended and restated concurrently with this Agreement (as so amended and restated, the "ALNYLAM-TEKMIRA License Agreement");

WHEREAS, on March 28, 2008, TEKMIRA, PROTIVA and all holders of securities of PROTIVA entered into a Share Purchase Agreement (the "Purchase Agreement") pursuant to which, upon completion of the transactions contemplated therein (the "Closing"), TEKMIRA will purchase all of the outstanding shares of capital stock of PROTIVA and PROTIVA will become a wholly-owned subsidiary of TEKMIRA;

WHEREAS, following the execution and delivery of the Purchase Agreement, and as a condition to Closing thereunder, TEKMIRA entered into a subscription agreement with ALNYLAM (the "ALNYLAM Subscription Agreement") and a subscription agreement with F. Hoffmann-La Roche Ltd ("ROCHE") (the "ROCHE Subscription Agreement"), pursuant to which ALNYLAM and ROCHE have each, separately, agreed to purchase certain shares of TEKMIRA's common stock upon the Closing if certain conditions are met;

WHEREAS, as a condition to the effectiveness of the ALNYLAM Subscription Agreement, ALNYLAM has agreed to enter into this Agreement on the terms and conditions contained herein, including but not limited to, the Parties' agreement to harmonize the license grants from PROTIVA to ALNYLAM contained in this Agreement with certain license grants from TEKMIRA to ALNYLAM in the ALNYLAM-TEKMIRA License Agreement and the Parties' agreement to harmonize the royalty and milestone payment obligations of the Parties with the obligations of TEKMIRA and ALNYLAM contained in the ALNYLAM-TEKMIRA License Agreement; and

WHEREAS, concurrent with the execution of this Agreement, the Parties have entered into an escrow agreement (the "Escrow Agreement") pursuant to which the original signature pages to this Agreement and the fully-executed ALNYLAM-TEKMIRA License Agreement, among other agreements, shall be placed into escrow and shall be either (i) released from escrow and delivered to the appropriate parties pursuant to the terms of the Escrow Agreement and, thereafter, this Agreement shall become effective, or (ii) each Party's original signature pages shall be returned to it pursuant to the terms of the Escrow Agreement and this Agreement will never become fully executed, delivered or effective.

***Confidential Treatment Requested.**

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt of which is hereby acknowledged, ALNYLAM and PROTIVA enter into this Agreement effective as of the Effective Date (defined below) and subject to the terms of Section 12.1:

ARTICLE I – DEFINITIONS

General. When used in this Agreement, each of the following terms, whether used in the singular or plural, will have the meanings set forth in this Article I.

1.1 Act means the United States Food, Drug and Cosmetic Act of 1938, 21 U.S.C. §§321 et seq., as such may be amended from time to time, and its implementing regulations.

1.2 Active Internal Development Program, with respect to a particular RNAi Product or miRNA Product, means that the following criteria have been satisfied, as of the relevant time under this Agreement:

(a) an active program of Research, Development or Commercialization with respect to such RNAi Product or miRNA Product has been commenced and remains in effect internally at ALNYLAM or its Affiliates; and

(b) if such program has not previously established preclinical proof-of-principle for such RNAi Product or miRNA Product, ALNYLAM or its Affiliates have committed to conduct such program at least through the completion of significant preclinical proof-of-principle testing of a specific Formulation for such RNAi Product or miRNA Product.

1.3 Affiliate means any corporation, company, partnership, joint venture and/or firm which controls, is controlled by, or is under common control with a Party. For purposes of the foregoing sentence, "control" will mean (a) in the case of corporate entities, direct or indirect ownership of at least fifty percent (50%) of the stock or shares having the right to vote for the election of directors, (b) in the case of non-corporate entities, direct or indirect ownership of at least fifty percent (50%) of the equity interest with the power to direct the management and policies of such non-corporate entities, and (c) in any country where local law does not permit foreign entities to own stock or shares or have equity interest of fifty percent (50%) or more in such entities, the direct or indirect ownership or control of the maximum percentage of such stock or shares or equity interest as is permitted under local law.

1.4 ALNYLAM means Alnylam Pharmaceuticals, Inc., a Delaware corporation, its Affiliates (including its subsidiary, Alnylam U.S., Inc.), Alnylam Europe AG and its successors and assigns.

1.5 ALNYLAM Development Products means ALNYLAM Class 1 Development Products and ALNYLAM Class 2 Development Products.

1.6 ALNYLAM Field means, with respect to any Target, the use of prophylactic or therapeutic RNAi Products or miRNA Products against such Target for the prevention or treatment of human disease, and related Research, Development and Commercialization.

1.7 ALNYLAM Partnered Product means an RNAi Product or miRNA Product, as the case may be, that is at the relevant time being Researched, Developed, and/or Commercialized by ALNYLAM with the participation or sponsorship of one or more Third Parties or, prior to the end of the Restriction Period, TEKMIRA. For clarity, it is understood and agreed that no RNAi

Product or miRNA Product developed or to be developed in a project or arrangement in which all or substantially all of ALNYLAM's contributions or anticipated contributions are or will be in the form of the grant by ALNYLAM of licenses or sublicenses to one or more intellectual properties will be considered an ALNYLAM Partnered Product.

1.8 ALNYLAM Patent Rights means (a) the patents and patent applications listed on Exhibit A-1 and all patent applications hereafter filed that derive priority from the patents and patent applications listed on Exhibit A-1, including all continuations, continuations-in-part, divisions, applications for certificate of invention, provisionals, or any substitute applications, any patents issued with respect to any such patent applications; and all reissues, substitutions, confirmations, re-registrations, re-examinations, supplementary protection certificates, certificates of invention and patents of addition of any such patents; and all foreign equivalents of any of the foregoing; and (b) the Exclusively Licensed Tekmira IP. Moreover, solely with respect to the PROTIVA Development Target that is the Second Target, ALNYLAM Patent Rights will also include the patents and patent applications listed on Exhibit A-1-A and all patent applications hereafter filed by ALNYLAM that derive priority from the patents and patent applications listed on Exhibit A-1-A, including all continuations, continuations-in-part, divisions, applications for certificate of invention, provisionals, or any substitute applications, any patents issued with respect to any such patent applications; and all reissues, substitutions, confirmations, re-registrations, re-examinations, supplementary protection certificates, certificates of invention and patents of addition of any such patents; and all foreign equivalents of any of the foregoing.

1.9 ALNYLAM Target means any Target that is neither the PLK Target nor a PROTIVA Development Target, nor a Tekmira Development Target under (and as defined in) the ALNYLAM-TEKMIRA License Agreement; provided, however, that the exclusion of the PLK Target will not apply if PROTIVA provides notice to ALNYLAM that PROTIVA is terminating its license rights under this Agreement with respect to RNAi Products or miRNA Products for the PLK Target.

1.10 Approval means, with respect to each Licensed Product Developed and Commercialized, the receipt of sufficient authorization from the appropriate regulatory authority on a country-by-country basis to market and sell such Licensed Product in a country, including (where necessary in a particular country prior to marketing a Licensed Product) all separate pricing and/or reimbursement approvals that may be required for marketing

1.11 Biodefense Targets means (a) a Target within the genome of one or more Category A, B and C pathogens, as defined by the National Institute of Allergy and Infectious Diseases, including without limitation, pathogens listed on Schedule 1.15 to the ALNYLAM-TEKMIRA License Agreement, but specifically excluding influenza virus, or (b) an endogenous cellular Target against which ALNYLAM Develops and/or Commercializes an ALNYLAM Development Product that is a Licensed Product for commercial supply to one or more Funding Authorities.

1.12 Bona Fide Collaboration means a collaboration between a Party and one or more Third Parties involving the Research and Development of one or more RNAi Products (and/or miRNA Products in the case of ALNYLAM) and established under a written agreement in which (i) the scope of the licenses granted, and financial or other commitments of value, are of material

value to such Party, and (ii) such Party undertakes and performs substantial, mutual research activity with the Third Party. For purposes of clarity, it is understood and agreed that no collaboration in which all or substantially all of ALNYLAM's contributions or anticipated contributions are or will be in the form of the grant by ALNYLAM of licenses or sublicenses to one or more intellectual properties will be considered a Bona Fide Collaboration.

1.13 Commercialize or Commercialization means any and all activities directed to manufacturing (including, without limitation, by means of contract manufacturers), marketing, promoting, distributing, importing, exporting and selling an RNAi Product (and/or an miRNA Product in the case of ALNYLAM), in each case for commercial purposes, and activities directed to obtaining pricing and reimbursement approvals, as applicable.

1.14 Commercially Reasonable Efforts means the level of efforts and resources that would be employed by ALNYLAM or PROTIVA as the case may be in connection with Researching, Developing, and Commercializing its own products of similar market potential at a similar stage of its product life, taking into account the apparent attributes of the molecule, the competitiveness of the relevant marketplace, the proprietary positions of Third Parties, regulatory structures, including the likelihood of obtaining an Approval, and the anticipated profitability of such product.

1.15 Confidential Information means all proprietary or confidential information and materials, patentable or otherwise, of a Party which are disclosed by or on behalf of such Party to the other Party hereunder, including, without limitation, chemical substances, formulations, techniques, methodology, equipment, data, reports, know how, sources of supply, patent positioning, business plans, and also including without limitation proprietary and confidential information of Third Parties in possession of such Party under an obligation of confidentiality, whether or not related to making, using or selling RNAi Products or miRNA Products.

1.16 Develop, Developing or Development means with respect to an RNAi Product (and/or an miRNA Product in the case of ALNYLAM), preclinical and clinical drug development activities, including without limitation: test method development and stability testing, toxicology, formulations, manufacturing scale-up, preclinical and clinical manufacture, quality assurance/quality control development, statistical analysis and report writing; clinical studies and regulatory affairs; Approval and registration.

1.17 Exclusively Licensed Tekmira IP shall have the meaning ascribed to it in the ALNYLAM-TEKMIRA License Agreement.

1.18 FDA means the United States Food and Drug Administration or any successor agency thereto.

1.19 Field means, with respect to the PLK Target and any PROTIVA Development Target, the use of prophylactic or therapeutic RNAi Products against such Target for the prevention or treatment of human disease, and related Research, Development and Commercialization.

1.20 First Commercial Sale means, with respect to each Licensed Product, the first commercial sale in a country as part of a nationwide introduction after receipt by a Product Seller (as defined below) of Approval in such country, excluding *de minimis* named patient and compassionate use sales.

1.21 Formulation means a particular SNALP formulation, characterized by its components and its unique ratios among components.

1.22 Funding Authorities means the United States Department of Health and Human Services or other United States or foreign government or international agencies responsible for requesting, approving and/or funding the development and manufacture of products for biodefense purposes.

1.23 GAAP means United States generally accepted accounting principles applied on a consistent basis. Unless otherwise defined or stated, financial references shall be calculated by the accrual method under GAAP.

1.24 Generic Claim means a claim in an issued or pending patent that meets the following criteria:

(a) the claim recites a nucleic acid-lipid particle comprising: an siRNA or miRNA, at least one cationic lipid, at least one non-cationic lipid, and a conjugated lipid that inhibits aggregation of particles, and/or methods or uses of such particle in the delivery of siRNA or miRNA; and

(b) the claim does not recite any Particular Moiety or any particular or specific cationic lipid, non-cationic lipid, or conjugated lipid.

1.25 IND or Investigational New Drug Application means a United States investigational new drug application or its equivalent or any corresponding foreign application.

1.26 Joint Patent Rights means all patents and patent applications to the extent specifically claiming inventions or improvements discovered or reduced to practice jointly by PROTIVA and ALNYLAM (as determined in accordance with U.S. patent law) directly in the course of work conducted after the Original Effective Date and before the Effective Date by them under the Second Target Research Plan or under the R&D Research Plan, or conducted after the Effective Date by them whether or not under the PLK Research Plan or the R&D Research Plan, together with all patent applications hereafter filed that derive priority from such patents and patent applications, including all continuations, continuations-in-part, divisions, applications for certificate of invention, provisionals, or any substitute applications, any patents issued with respect to any such patent applications; and all reissues, substitutions, confirmations, re-registrations, re-examinations, supplementary protection certificates, certificates of invention and patents of addition of any such patents; and all foreign equivalents of any of the foregoing.

1.27 Joint Steering Committee or JSC means the committee described in Section 6.1 of this Agreement.

1.28 Lead Formulation is a Formulation that has been identified by PROTIVA and ALNYLAM as being the end product of PROTIVA's and ALNYLAM's work under the R&D Research Plan (and, if ALNYLAM exercises its Opt-In Right, also under the PLK Research

Plan) for a particular ALNYLAM siRNA payload(s) directed at a particular Target. It is expected that formulated materials using a number of different initial Formulations would be delivered by PROTIVA to ALNYLAM, tested by ALNYLAM, and (on the basis of such tests, and subsequent iterative tests if needed) culled or otherwise adjusted by PROTIVA to the point where both parties believe that no further formulation adjustments, or improvements are anticipated under the R&D Research Plan (or, as applicable, the PLK Research Plan). That Formulation is the Lead Formulation in that situation.

1.29 Licensed Information means all biological materials and other tangible materials, information, data, inventions, practices, methods, protocols, formulas, formulations, knowledge, know-how, trade secrets, processes, assays, skills, experience, techniques and results of experimentation and testing, including without limitation pharmacological, toxicological and preclinical and clinical test data and analytical and quality control data, patentable or otherwise, which relates to the identification, characterization, optimization, construction, expression, formulation, use or production of RNAi Products or miRNA Products and Formulations thereof and which are reasonably useful or necessary to Research, Develop, or Commercialize such RNAi Products or miRNA Products in the Territory in the ALNYLAM Field and are controlled by PROTIVA; provided, however, that in no event shall Licensed Information include Confidential Information of PROTIVA with respect to, or methods for the development of, the chemistry, formulation or manufacture of RNAi Products or miRNA Products beyond the scope of the information, materials and data described in Appendix II.

1.30 Licensed Product means: (a) with respect to PROTIVA and its Affiliates and Sublicensees, an RNAi Product, the identification, characterization, validation, synthesis, development, use, formulation, manufacture, production or sale of which, where and when occurring, would, but for the grant of a license or sublicense from ALNYLAM, infringe a Valid Claim of the ALNYLAM Patent Rights; and (b) with respect to ALNYLAM and its Affiliates and Sublicensees, an RNAi Product or miRNA Product, the identification, characterization, validation, synthesis, development, use, formulation, manufacture, production or sale of which, where and when occurring, would, but for the grant of a license or sublicense from PROTIVA, infringe a Valid Claim of the PROTIVA Patent Rights.

1.31 Major Market means, individually and collectively, [**].

1.32 miRNA Product means a product containing, comprised of or based on native or chemically modified RNA oligomers designed to either modulate microRNA transcripts (“miRNA”) and/or provide the function of an miRNA.

1.33 Necessary Third Party IP means, with respect to any country in the Territory, on a country-by-country basis, information, materials, data, know-how or patent rights (including, without limitation, all rights in patents and patent applications) in such country owned or controlled by a Third Party that in the absence of a license would be infringed through the manufacture, use or sale of, as applicable, (a) ALNYLAM Development Products that are Licensed Products; (b) PROTIVA Development Products; and (c) Licensed Products for the PLK Target; provided, however, that, for clarity, in each of (a), (b) and (c) above, information, materials, data, know-how or patent rights (including, without limitation, all rights in patents and patent applications) in such country owned or controlled by TEKMIRA and licensed to ALNYLAM under the ALNYLAM-TEKMIRA License Agreement shall not be considered Necessary Third Party IP.

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1.34 Net Sales means, with respect to any Licensed Products, the gross amount invoiced, with respect to Articles II and III hereof, by PROTIVA, its Affiliates or Sublicensees, or, with respect to Article IV hereof, by ALNYLAM, its Affiliates or Sublicensees (in each case, a "Product Seller") on sales or other dispositions of such Licensed Products to Third Parties which are not Affiliates or Sublicensees of the Product Seller, less, (a) to the extent allowed and taken, sales returns and allowances, granted or accrued, including trade, quantity and cash discounts and any other adjustments, including those granted on account of price adjustments, billing errors, rejected goods, damaged or defective goods, recalls, returns, rebates, chargebacks, reimbursements or similar payments granted or given to wholesalers or other distributors, buying groups, health care insurance carriers or other institutions; (b) adjustments arising from consumer discount programs or similar programs, or arising in connection with any Discount or Savings Program (as defined below); (c) customs or excise duties, sales tax, consumption tax, value added tax, and other similar taxes (except income taxes) measured by the production, sale, or delivery of goods; (d) duties relating to sales and any payments in respect of sales to the United States government, any State government or any foreign government, or to any governmental authority, or with respect to any government subsidized program or managed care organization; and (e) charges for freight and insurance related to the return of Licensed Products and not otherwise paid by the customer. For purposes of this definition of "Net Sales" only, "Discount or Savings Program" means any discount, rebate or reimbursement program applicable to a Licensed Product under which the Product Seller provides to low income, uninsured or other patients the opportunity to purchase pharmaceutical products at discounted prices.

In the event that a Licensed Product is sold in any country in the form of a combination product containing one or more therapeutically active ingredients in addition to such Licensed Product in any year, Net Sales of such combination product will be adjusted by multiplying actual Net Sales of such combination product in such country by the fraction A/(A+B), where A is the average Net Sales price per daily dose during such year of the Licensed Product in such country, if sold separately in such country, and B is the average Net Sales price per daily dose of any product containing the other therapeutically active ingredients in the combination product in such country, if sold separately in such country. If, in a specific country, the product containing the other therapeutically active ingredients in the combination product are not sold separately in such country, Net Sales will be calculated by multiplying actual Net Sales of such combination product by the fraction A/C, where A is the average Net Sales price per daily dose of the Licensed Product in such country and C is the average Net Sales price per daily dose of the combination product in such country. If, in a specific country, the Licensed Product is not sold separately in such country, Net Sales will be calculated by multiplying actual Net Sales of such combination product by the fraction (C-B)/C, where B is the average Net Sales price per daily dose of the product containing the other therapeutically active ingredients in the combination product in such country and C is the average Net Sales price per daily dose of the combination product in such country. If, in a specific country, both the Licensed Product and the product containing the other therapeutically active ingredients in the combination product are not sold separately in such country, the Net Sales price for the Licensed Product and the product containing the other therapeutically active ingredients in the combination product will be

negotiated by the Parties in good faith based upon the costs, overhead and profit as are then incurred for the Licensed Product and all similar substances then being made and marketed by the selling Party and having an ascertainable market price.

In the event a Product Seller receives non-monetary consideration in exchange for the sale or other disposition of Licensed Products to Third Parties that are not Affiliates or Sublicensees of the Product Seller, Net Sales for such sale or other disposition shall include the fair market value of the non-cash consideration received as a result of such sale or other disposition. If such sale or other disposition occurred in a country where such Product Seller, within the preceding six months, sold the same Licensed Product in commercial quantities solely for monetary consideration, the fair market value of the non-cash consideration received for such Licensed Product shall be determined on the basis of the value received in such solely monetary transactions. If such Product Seller did not have sales or other dispositions of Licensed Product in such country solely for monetary consideration in such six-month period, then the fair market value of such products shall be determined on the basis of all relevant facts and circumstances.

In the event that the Product Seller prices and sells Licensed Products in conjunction with other products of such Product Seller at a single price or rate or at a discount for collectively buying such products, then Net Sales with respect to such Licensed Product shall equal the number of units of the Licensed Product sold together with the non-Licensed Products multiplied by the average Net Sales price at which the Product Seller sold the Licensed Product individually to similar customers for similarly sized orders.

Net Sales shall be determined from books and records maintained in accordance with generally accepted accounting principles in the United States, consistently applied throughout the organization and across all products of the entity whose sales of Licensed Product are giving rise to Net Sales.

1.35 Opt-In Period is defined in Section 2.8.

1.36 Opt-In Right is defined in Section 2.8.

1.37 Original Effective Date means August 14, 2007.

1.38 Particular Moiety means a specific nucleotide sequence of an RNAi Product or miRNA Product, in either case directed against a particular individual Target.

1.39 Party means either ALNYLAM or PROTIVA; Parties means both ALNYLAM and PROTIVA.

1.40 Phase I Clinical Trial means the first study of a Licensed Product in humans the primary purpose of which is the determination of safety and which may include the determination of pharmacokinetic and/or pharmacodynamic profiles in healthy individuals or patients.

1.41 Phase II Clinical Trial means (a) a study of dose exploration, dose response,

duration of effect, kinetics or preliminary efficacy and safety study of a Licensed Product in the target patient population, or (b) a controlled dose-ranging clinical trial to evaluate further the efficacy and safety of such Licensed Product in the target population and to define the optimal dosing regimen.

1.42 Phase III Clinical Trial means a controlled study of a Licensed Product in patients of the efficacy and safety of such Licensed Product which is prospectively designed to demonstrate statistically whether such Licensed Product is effective and safe for use in a particular indication in a manner sufficient to obtain Approval to market such Licensed Product.

1.43 PLK Research Plan means the plan described in Section 2.3 of this Agreement.

1.44 PLK Target means polo-like kinase 1 as more specifically described in Appendix I.

1.45 PLK Term means the period of time commencing on the Effective Date and ending upon the expiration or abandonment of all issued patents and filed applications within the ALNYLAM Patent Rights or the earlier notice by PROTIVA to ALNYLAM that PROTIVA is terminating its license rights under this Agreement with respect to RNAi Products for the PLK Target.

1.46 PROTIVA means Protiva Biotherapeutics Inc., a Canadian corporation, its Affiliates (including its subsidiary, Protiva Biotherapeutics (USA), Inc., but excluding, solely for purposes of this definition, TEKMIRA), and its successors and assigns.

1.47 PROTIVA Patent Rights means:

(a) the following (collectively the "Class 1 PROTIVA Patent Rights"):

(1) the patents and patent applications listed on Exhibit A-2;

(2) all Generic Claims as reflected in any of the patents and patent applications described in subsection 1.47(b)(i);

(3) all Generic Claims as reflected in any patents or patent applications claiming intellectual property discovered or reduced to practice solely by PROTIVA directly in the course of work conducted by it following the Original Effective Date and prior to the Effective Date under the Second Target Research Plan or following the Effective Date under the PLK Research Plan (prior to, but not after, the end of the Opt-In Period, if ALNYLAM fails to exercise its Opt-In Right) or under the R&D Research Plan; and

(4) all Generic Claims as reflected in any patents or patent applications claiming intellectual property owned or controlled by PROTIVA and that are useful or necessary for Researching, Developing, or Commercializing an RNAi Product or miRNA Product in the ALNYLAM Field;

together with all Generic Claims in patent applications hereafter filed that derive priority from the patents and patent applications described in (1), (2), (3) or (4) above, including all continuations, continuations-in-part, divisions, applications for certificate of invention, provisionals, or any substitute applications, any Generic Claims in patents issued with respect to any such patent applications; and all reissues, substitutions, confirmations, re-registrations, re-examinations, supplementary protection certificates, certificates of invention and patents of addition of any such claims; and all foreign equivalents of any of the foregoing; and

(b) the following (collectively the "Class 2 PROTIVA Patent Rights"):

(1) claims (other than Generic Claims and Target-Specific Claims) as reflected in the patents and patent applications listed on Exhibit A-3;

(2) claims (other than Generic Claims) as reflected in all patents and patent applications claiming intellectual property discovered or reduced to practice solely by PROTIVA directly in the course of work conducted by it following the Original Effective Date and prior to the Effective Date under the Second Target Research Plan or following the Effective Date under the PLK Research Plan (prior to, but not after, the end of the Opt-In Period, if ALNYLAM fails to exercise its Opt-In Right) or under the R&D Research Plan; and

(3) claims (other than Generic Claims and Target-Specific Claims) as reflected in all patents and patent applications claiming intellectual property owned or controlled by PROTIVA and that is useful or necessary for Researching, Developing, or Commercializing an RNAi Product or miRNA Product in the ALNYLAM Field,

together with all claims (other than Generic Claims and Target-Specific Claims) in patent applications hereafter filed that derive priority from the patents and patent applications described in (1) or (3) above, and all claims (other than Generic Claims) in patent applications hereafter filed that derive priority from the patents and patent applications described in (2) above, including all continuations, continuations-in-part, divisions, applications for certificate of invention, provisionals, or any substitute applications, any claims (other than Generic Claims) in patents issued with respect to any such patent applications; and all reissues, substitutions, confirmations, re-registrations, re-examinations, supplementary protection certificates, certificates of invention and patents of addition of any such claims; and all foreign equivalents of any of the foregoing.

1.48 R&D Program Product means the Formulations that are related to RNAi Product(s) and/or miRNA Products(s) developed under the R&D Research Plan under this Agreement and/or under the Research Plan (as defined in the ALNYLAM-TEKMIRA License Agreement) for which ALNYLAM has established an Active Internal Development Program.

1.49 R&D Research Plan means the plan described in Section 5.4 of this Agreement.

1.50 Research or Researching means identifying, evaluating, validating and optimizing RNAi Products (and/or miRNA Products in the case of ALNYLAM).

1.51 RNAi Product means a product containing, comprised of or based on siRNAs or siRNA derivatives or other double-stranded moieties effective in gene function modulation and designed to modulate the function of particular genes or gene products by causing degradation through RNA interference of a Target mRNA to which such siRNAs or siRNA derivatives or moieties are complementary.

1.52 Royalty Quarter means each of the four (4) calendar quarters that begin January 1, April 1, July 1 and October 1 of each year

1.53 Second Target means the Target described in Appendix I.

1.54 Second Target Research Plan means the research plan for the Second Target described in the Original Cross-License Agreement, and in effect as of the Effective Date.

1.55 siRNA means a double-stranded ribonucleic acid (RNA) composition designed to act primarily through an RNA interference mechanism that consists of either (a) two separate oligomers of native or chemically modified RNA that are hybridized to one another along a substantial portion of their lengths, or (b) a single oligomer of native or chemically modified RNA that is hybridized to itself by self-complementary base-pairing along a substantial portion of its length to form a hairpin.

1.56 Sublicensee means a Third Party that is not an Affiliate of a Party, to whom such Party (or another permitted sublicensee of such Party under this Agreement) grants a sublicense of all or a portion of the rights licensed to it hereunder as permitted herein, including the right to manufacture or have manufactured a Licensed Product. A Sublicensee will be deemed to include any Third Party who is granted a sublicense hereunder by such Party pursuant to the terms of the outcome or settlement of any infringement or threatened infringement action.

1.57 Target means (a) a polypeptide or entity comprising a combination of at least one polypeptide and other macromolecules, that is a site or potential site of therapeutic intervention by a therapeutic agent; or a nucleic acid which is required for expression of such polypeptide, together with all variants of such polypeptide, cellular entity or nucleic acid described above; (b) a defined non-peptide entity, including a microorganism, virus, bacterium or single cell parasite; provided that the entire genome of a microorganism, virus, bacterium, or single cell parasite shall be regarded as a single Target; or (c) a naturally occurring interfering RNA or miRNA or precursor thereof.

1.58 Target-Specific Claim means a claim in an issued or pending patent that recites one or more specified Particular Moiety(ies).

1.59 Territory means worldwide. For clarity, at any time the Territory will not include any country to which the exportation or re-exportation of materials, products and related technical data covered by this Agreement is restricted by the laws, rules or executive orders of the federal government of the United States, which restriction has not been removed or waived.

1.60 Third Party(ies) means any person or entity other than PROTIVA, ALNYLAM, and their respective Affiliates.

1.61 Valid Claim means (a) any claim in an issued and unexpired patent within the ALNYLAM Patent Rights or PROTIVA Patent Rights, as applicable, which has not been held unenforceable, unpatentable or invalid by a decision of a court or other governmental agency of competent jurisdiction, which decision is unappealable or unappealed within the time allowed for appeal, and which has not been admitted by the holder of the patent to be invalid or unenforceable through reissue, re-examination, or disclaimer or otherwise and (b) a patent application within the ALNYLAM Patent Rights or PROTIVA Patent Rights, as applicable, a claim of which has been pending less than five (5) years and which claim has not been cancelled, withdrawn or abandoned or finally rejected by an administrative agency action from which no appeal can be taken.

Additional Defined Terms	Section Reference
ALNYLAM Class 1 Development Product	4.1(a)
ALNYLAM Class 2 Development Product	4.1(b)
ALNYLAM Data	5.6
ALNYLAM Indemnitee	10.1
ALNYLAM-TEKMIRA License Agreement	Recitals
ALNYLAM Subscription Agreement	Recitals
Analytical Report	5.4(b)
Class 1 PROTIVA Patent Rights	1.47(a)
Class 2 PROTIVA Patent Rights	1.47(b)
Change of Control	14.7
Closing	Recitals
Discount or Savings Program	13.7
Effective Date	12.1
Escrow Agreement	Recitals
Excluded Claim	14.2(a)
FTE	5.2
Follow-On Product	3.7
Licensee	9.1
Losses	10.1
[**]	Recitals
[**] Restriction	2.1
[**]	Recitals
miRNA	1.33
Novartis	3.2
Novartis Agreement	3.2
Original ALNYLAM-TEKMIRA License Agreement	Recitals
Original Cross-License Agreement	Recitals
Product Seller	1.36
Prosecuting Party	7.2(c)
PROTIVA Development Product	3.1
PROTIVA Development Target	3.1

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Additional Defined Terms	Section Reference
PROTIVA Indemnitee	10.2
Purchase Agreement	Recitals
Research Term	5.1
Restriction Period	13.1
Restricted Joint Invention	13.4
RNAi	Recitals
ROCHE	Recitals
ROCHE-NUTLEY	4.1(c)
ROCHE Sublicensee	4.1(c)
ROCHE Subscription Agreement	Recitals
Significant Pharmaceutical Company	14.6
SNALP Technology	Recitals
Substances	5.4(c)
Successful Biodefense Product	4.10
Successful Product	3.7
Target Response Notice	3.2
TEKMIRA	Recitals
Tekmira Development Target	1.9
Tekmira Facilities Option	13.2
Third Party Claim	7.8(a)
Transaction Document	12.2(e)

ARTICLE II – PLK LICENSE GRANT AND OPT-IN RIGHTS

2.1 License of ALNYLAM Patent Rights.

(a) Subject to the provisions of Article XIII, ALNYLAM grants to PROTIVA a non-exclusive royalty-bearing right and license under the ALNYLAM Patent Rights, subject to the terms and conditions of the in-license(s) identified on Exhibit B governing ALNYLAM's rights, and under ALNYLAM's interest in Joint Patent Rights, only for purposes of Researching, Developing and Commercializing RNAi Products for the PLK Target in the Field in the Territory. The license granted in this Section 2.1 will be in effect for the PLK Term.

(b) During the PLK Term and prior to the expiration of the Opt-In Period, PROTIVA will have no right to grant sublicenses to any Third Party under the license granted in this Section 2.1 without the prior written consent of ALNYLAM. Following the expiration of the Opt-In Period: (i) if ALNYLAM has duly exercised its Opt-In Right, such restriction on sublicensing will be continued and will be made part of the Parties' co-development and co-commercialization agreement referred to in Section 2.8(a); and (ii) if ALNYLAM has not exercised its Opt-In Right, the license granted in this Section 2.1 will thereafter include the right for PROTIVA to grant a sublicense or sublicenses to one or more Third Parties, provided the sublicensed RNAi Product(s) either (a) incorporate or exploit material intellectual property rights (such as, without limitation, patents and/or Confidential Information) owned or controlled by PROTIVA, other than Valid Claims of the ALNYLAM Patent Rights and/or (b) are substantially

developed by PROTIVA in a Bona Fide Collaboration with such Third Party. Notwithstanding the foregoing, (i) in no event may PROTIVA or its Affiliates grant a sublicense under any of the Exclusively Licensed Tekmira IP to the [**] under the licenses granted in this Section 2.1 or Section 3.3 (the "[**] Restriction") and (ii) in all events, any sublicense granted under this Section 2.1(b) shall be subject to the terms of Article XIII.

2.2 Retained Rights of ALNYLAM. ALNYLAM expressly retains any rights not expressly granted to PROTIVA under this Article II (or otherwise under this Agreement). ALNYLAM represents and warrants that it has the right to grant the license under the ALNYLAM Patent Rights provided in Section 2.1 with respect to the PLK Target.

2.3 PLK Research Plan. On or prior to the Effective Date PROTIVA has, with ALNYLAM's approval, prepared a research plan setting out the primary activities to be conducted by PROTIVA with respect to the PLK Target (the "PLK Research Plan"). Such PLK Research Plan is attached to this Agreement as Exhibit C. PROTIVA will fund and be responsible for conducting all activities under the PLK Research Plan or otherwise warranted by the terms and conditions of this Agreement.

2.4 Role of JSC. The conduct of the PLK Research Plan will be coordinated by the Joint Steering Committee. The JSC will attempt to act by consensus in respect of all matters arising under or in connection with the PLK Research Plan. If such a consensus is not obtainable with respect to a matter, PROTIVA's representatives on the JSC will, prior to an exercise by ALNYLAM of the Opt-In Right, have the deciding vote on that matter so long as they exercise such right in a manner that is consistent with this Agreement.

2.5 Conduct of Activities and Commercially Reasonable Efforts. PROTIVA shall use Commercially Reasonable Efforts to carry out Research, Development, and Commercialization of RNAi Products directed at the PLK Target on a sustained basis in a continuing program for Development and Commercialization during the PLK Term. The activities of PROTIVA's Affiliates, Sublicensees, subcontractors, collaborators, transferees, and successors shall be attributed to PROTIVA for purposes of determining PROTIVA's satisfaction of the foregoing diligence obligations. If PROTIVA uses any Third Party contract resources to conduct part or all of its activities under the PLK Research Plan, it shall obtain agreements from such contractor(s) providing for rights in favor of ALNYLAM, substantially equivalent to the rights ALNYLAM would have had if PROTIVA had done the work itself.

2.6 Regulatory Filings. PROTIVA, its Affiliates or Sublicensees will be responsible for preparing, filing, and prosecuting all appropriate governmental applications and/or filings to obtain Approval of RNAi Products for the PLK Target during the Opt-In Period. Except as may be otherwise agreed in the co-development agreement in the event that ALNYLAM exercises its Opt-In Right, PROTIVA, its Affiliates or Sublicensees will own and maintain all such applications and/or filings and Approvals of the RNAi Products for the PLK Target.

2.7 Reporting.

(a) General. Promptly after the Effective Date, and on an on-going basis thereafter (at least once each Calendar Quarter), PROTIVA will provide to ALNYLAM and the JSC all then-existing

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Licensed Information in respect of RNAi Products for the PLK Target (including but not limited to preclinical pharmacology, toxicology, clinical and regulatory plans and data), to enable ALNYLAM to evaluate and decide whether to exercise its Opt-In Right with respect to co-development of RNAi Products for the PLK Target and to enable the JSC to assess the progress and direction of PROTIVA's research activities.

(b) Clinical Events. PROTIVA will notify ALNYLAM in writing within five (5) business days of the dosing of the first patient in a Phase II Clinical Trial and in a Phase III Clinical Trial for each Licensed Product for the PLK Target.

2.8 Opt-In Right for Co-Development and Co-Commercialization.

(a) At any time during the period commencing on the Effective Date and ending sixty (60) days following the dosing of the first patient in a Phase II Clinical Trial in respect of an RNAi Product for the PLK Target or the selection of a back-up to such an RNAi Product (if applicable); or, if sooner, ending on the date on which ALNYLAM notifies PROTIVA that ALNYLAM does not intend to exercise its Opt-In Right (the "Opt-In Period"), ALNYLAM may exercise its right to co-develop and co-commercialize RNAi Products for the PLK Target with PROTIVA ("Opt-In Right") by providing written notice to PROTIVA. Upon provision of such written notice, the Parties agree to negotiate and complete a written agreement providing for the co-development and co-commercialization of the RNAi Products for the PLK Target by the Parties in accordance with the terms and conditions set forth in Appendix IV to this Agreement. Upon the full execution of such agreement, the terms in Sections 2.10 and 2.11 of this Agreement will no longer apply. The Parties agree (i) that the terms and conditions set forth in Appendix IV will be binding on the Parties and in effect upon the exercise by ALNYLAM of its Opt-In Right and (ii) to use good faith efforts to complete the definitive agreement within [**] following ALNYLAM's exercise of its Opt-In Right.

(b) If ALNYLAM does not exercise its Opt-In Right or notifies PROTIVA in writing that it does not intend to exercise its Opt-In Right with respect to RNAi Products for the PLK Target, PROTIVA may, subject to the terms of Article XIII and the [**] Restriction, continue its activities under the PLK Research Plan and/or undertake different or altered activities in its discretion. Additionally, PROTIVA may at any time thereafter notify ALNYLAM in writing if PROTIVA wishes to terminate its license rights under this Agreement with respect to RNAi Products for the PLK Target. If ALNYLAM has not exercised its Opt-In Right or elects not to exercise its Opt-In Right, and if PROTIVA notifies ALNYLAM in writing that it wishes to terminate its license rights in respect of the PLK Target, rights granted to PROTIVA under the ALNYLAM Patent Rights with respect to the PLK Target herein will terminate immediately.

(c) PLK Research Plan Information and Materials. In the event that PROTIVA wishes to terminate its activities under the PLK Research Plan, PROTIVA will provide written notice to ALNYLAM. If such termination notice is made prior to the end of the Opt-In Period, PROTIVA will promptly provide to ALNYLAM all then-existing Licensed Information with respect to any Formulation with respect to the PLK Target, to the extent such Licensed Information has not previously been provided to ALNYLAM. For purposes of clarity, any activities of ALNYLAM in respect of the PLK Target after termination of PROTIVA's license hereunder with respect to the PLK Target will be subject to the terms and conditions of Article IV of this Agreement to the extent relevant to the PROTIVA Patent Rights.

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2.9 Initial Fee. In connection with the rights granted and other terms of this Agreement, ALNYLAM has previously paid to PROTIVA three million U.S. dollars ($3,000,000) and PROTIVA acknowledges the full receipt of such payment.

2.10 Milestone Payments with Respect to Licensed Products for the PLK Target. With respect to Licensed Products for the PLK Target and the achievement by PROTIVA, its Sublicensees or Affiliates of the milestone events in the table below for Licensed Products for the PLK Target, PROTIVA will provide written notice to ALNYLAM of the occurrence of a milestone event within [**] of such event, and pay the indicated milestone fee to ALNYLAM within [**] after the occurrence of the relevant event (all references are to U.S. dollars). Milestone payments will be due only once and only in respect of the first Licensed Product for the PLK Target being Developed by PROTIVA, or an Affiliate or Sublicensee for which the milestone event is achieved.

Milestone Event	Milestone Fee
[**]*	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]

* The due date of the payment for this milestone event will be upon the end of the Opt-In Period and only if ALNYLAM does not exercise the Opt-In Right.

In the event one or more milestone events set out above are skipped for any reason, the payment for such skipped milestone event(s) will be due at the same time as the payment for the next achieved milestone event.

2.11 Royalties on Licensed Products for the PLK Target.

(a) Royalties on Net Sales will be due and payable by PROTIVA to ALNYLAM on a Licensed Product-by-Licensed Product basis in respect of Licensed Products for the PLK Target and on a country-by-country basis in the Territory until the expiration of the last Valid Claim covering such Licensed Product in such country. Beginning with the first Royalty Quarter in which a First Commercial Sale in a country occurs, and during subsequent Royalty Quarters, running royalties are payable on Net Sales in the Territory in accordance with the applicable running royalty rates set out in subsections (b) of this Section 2.11. If at the time of the First Commercial Sale or at any time thereafter all of ALNYLAM's Valid Claims covering a Licensed Product expire in a particular country, then such RNAi Product shall be royalty-free in such country; provided, however, that if one or more additional Valid Claims of ALNYLAM covering such Licensed Product thereafter issue in such country, such Licensed Product shall thereafter be royalty-bearing in such country for all Net Sales of such Licensed Product in such country occurring after the date of such issuance until expiration of such Valid Claims. No royalties will be payable more than once by PROTIVA with respect to any single unit of Licensed Product.

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(b) Subject to subsection (a) of this Section 2.11, royalties will be due to ALNYLAM in accordance with the applicable rate in the table below (all references are to U.S. dollars):

Aggregate Annual Net Sales	Royalty Rate
On the first [**]	[**]
On the subsequent [**]	[**]
On the subsequent [**]	[**]
Greater than [**]	[**]

(c) The royalties due to ALNYLAM under this Section 2.11 may be reduced on a country-by-country basis in the Territory by the amount of royalties due to Third Parties as a result of the in-license of Necessary Third Party IP; provided, however, that royalties due to ALNYLAM under this Section 2.11 may not be reduced by more than one-third of the royalties otherwise due (and will not in any case be reduced below [**] of the amount of royalties that would otherwise be due, e.g. for Net Sales up to and including [**] the minimum effective royalty rate would be [**]. For purposes of illustration only, if annual Net Sales of a License Product for the PLK Target are [**], and royalties due in respect of Necessary Third Party IP for the sale of such product total [**] of Net Sales (or [**]), royalties due to ALNYLAM may be reduced only by [**] which is determined as follows: maximum reduction is [**] of the royalty due on Net Sales of [**], calculated by [**].

2.12 Term of PLK License. Unless terminated sooner as described in Article XII, the term of the licenses granted to PROTIVA with respect to the PLK Target commenced on the Effective Date and ends upon the expiration or abandonment of all issued patents and filed applications within the ALNYLAM Patent Rights; provided, however, that following the expiration of such license at the end of such term, PROTIVA and its Affiliates or Sublicensees shall have the worldwide, perpetual and paid-up right to Research, Develop, and Commercialize any RNAi Product directed at the PLK Target to the extent not covered by other patent rights.

2.13 Effect upon Second Target Research Plan. The Parties hereby agree that, while PROTIVA may at its option continue work under the Second Target Research Plan and otherwise on the Second Target as a PROTIVA Development Target, ALNYLAM will no longer (as of the Effective Date) support that work, or by virtue of its payment of the Initial Fee, be deemed to be supporting that work.

ARTICLE III – Target-by-Target License to PROTIVA under ALNYLAM Patent Rights

3.1 PROTIVA Development Targets. During the [**] period beginning on the Original Effective Date, PROTIVA may select up to three (3) Targets with respect to which PROTIVA shall Research, Develop and Commercialize RNAi Products directed to such Targets under the ALNYLAM Patent Rights (each such Target, a “PROTIVA Development Target”, and

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each such RNAi Product, a "PROTIVA Development Product"). For clarity, the Parties acknowledge that the three PROTIVA Development Targets shall be in addition to the three (3) Tekmira Development Targets that are the subject of the ALNYLAM-TEKMIRA License Agreement. The Parties acknowledge that the selection of each PROTIVA Development Target (other than the Second Target) is subject to Novartis' right of first offer under the Novartis Agreement and to other binding ALNYLAM obligations to Third Parties pre-existing the date of PROTIVA's notice to ALNYLAM of PROTIVA's selection of such Target. Effective as of the Effective Date, the Parties hereby agree that the Second Target shall be one of the three (3) PROTIVA Development Targets under this Agreement, and that Section 3.2 will not be applicable to the Second Target.

3.2 Selection Process. The following process shall apply to the selection of PROTIVA Development Targets. As to Targets that are peptide entities, PROTIVA shall initially notify ALNYLAM in writing of the NCBI Gene ID number (or, if a NCBI Gene ID number is not available, the specific sequence of the proposed Target) of each Target nominated by PROTIVA for selection as a PROTIVA Development Target. As to Targets that are non-peptide entities, PROTIVA shall initially notify ALNYLAM in writing of the non-peptide entity. Within [**] following ALNYLAM's receipt of a notice nominating a Target, ALNYLAM shall notify PROTIVA in writing (a "Target Response Notice") whether such Target is either: (a) subject to a binding contractual obligation to a Third Party that would be breached by the inclusion of such Target as a PROTIVA Development Target under these terms, or (b) the subject of an Active Internal Development Program at ALNYLAM and such Active Internal Development Program was in existence as such prior to the receipt of such notice from PROTIVA and ALNYLAM determines in good faith that it intends to continue such Active Internal Development Program, and so notifies PROTIVA. If neither of these criteria applies, the Target shall be considered to have been successfully nominated as a PROTIVA Development Target. ALNYLAM shall use commercially reasonable efforts consistent with the terms of the Novartis Agreement to obtain Novartis' consent to the selection by PROTIVA of such Target as a PROTIVA Development Target under these terms, and shall notify PROTIVA in writing as to whether or not such Target is available for license hereunder. If a Target submitted to ALNYLAM is not so available for license as a PROTIVA Development Target, then PROTIVA may nominate an additional Target as a PROTIVA Development Target, until two (2) PROTIVA Development Targets (in addition to the Second Target) have been identified and approved for selection pursuant to the foregoing procedure; provided, that PROTIVA may not have pending at any given time more than two (2) proposed Targets to ALNYLAM for evaluation pursuant to the foregoing procedure (in addition to any Tekmira Development Targets or candidate Tekmira Development Targets submitted or pending under the ALNYLAM-TEKMIRA License Agreement). Any Target approved by ALNYLAM for selection pursuant to the foregoing procedure shall be a PROTIVA Development Target. As used herein, "Novartis Agreement" means that certain Research Collaboration and License Agreement between Novartis Institutes for BioMedical Research, Inc. ("Novartis") and ALNYLAM dated October 12, 2005, as amended by the Addendum Re: Influenza Program to Research Collaboration and License Agreement effective as of February 17, 2006, and as further amended from time to time.

3.3 License. Subject to the provisions of Article XIII and the terms and conditions of the in-licenses identified on Exhibit B governing ALNYLAM's rights, ALNYLAM will grant to PROTIVA a non-exclusive license under the ALNYLAM Patent Rights and under ALNYLAM's

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interest in Joint Patent Rights with respect to up to three (3) PROTIVA Development Targets, to Research, Develop and Commercialize PROTIVA Development Products covered by such ALNYLAM Patent Rights in the Field in the Territory. Such license will be royalty-bearing with respect to PROTIVA Development Products covered by Valid Claims of the ALNYLAM Patent Rights and will include the right to grant sublicenses to Third Parties to Research, Develop and Commercialize PROTIVA Development Product(s), provided such PROTIVA Development Product(s) either (a) incorporate or exploit material intellectual property rights (such as, without limitation, patents and/or Confidential Information) owned or controlled by PROTIVA, other than such Valid Claims of the ALNYLAM Patent Rights and/or (b) are substantially developed by PROTIVA in a Bona Fide Collaboration with such Third Party. A copy of the fully executed sublicense agreement will be promptly provided to ALNYLAM. Notwithstanding the foregoing, (i) any sublicense, to the extent applicable to any Exclusively Licensed Tekmira IP, shall be subject to the [**] Restriction and (ii) in all events, any sublicense granted under this Section 3.3 shall be subject to the terms of Article XIII.

3.4 Term. Unless terminated sooner as described in Article XII, the term of the license grant in respect of each PROTIVA Development Target begins upon the approval of a Target as a PROTIVA Development Target (or in the case of the Second Target, upon the Effective Date, it being understood and agreed that PROTIVA held certain licenses under the Original Cross License Agreement with respect to the Second Target from the Original Effective Date through the Effective Date) and ends upon the expiration or abandonment of all issued patents and filed applications within the ALNYLAM Patent Rights; provided, however, that following the expiration of such license at the end of such term, PROTIVA and its Affiliates or Sublicensees shall have the worldwide, perpetual and paid-up right to Research, Develop, and Commercialize any PROTIVA Development Product to the extent not covered by other patent rights.

3.5 Sublicense.

(a) Any sublicense granted by PROTIVA pursuant to Section 3.3 shall be subject and subordinate to the terms and conditions of this Agreement and shall contain terms and conditions consistent with those in this Agreement, including, without limitation, the requirements of Section 3.6 below. Agreements with any Sublicensee shall contain the following provisions: (a) a requirement that such Sublicensee submit applicable sales or other reports consistent with those required hereunder; (b) an audit requirement similar to the requirement set forth in Section 9.5; and (c) a requirement that such Sublicensee comply with the confidentiality and non-use provisions of Article VIII. PROTIVA shall assume full responsibility for the performance of all obligations and observance of all terms herein under the licenses granted to PROTIVA Development Targets and will itself pay and account to ALNYLAM for all payments due under such licenses by reason of such sublicense. Sublicenses under the license granted to PROTIVA Development Targets will remain in full force and effect in the event of any termination of such license, provided that Sublicensee(s) are in compliance with the sublicense agreement (or are in compliance within thirty (30) days of the termination) and agree in writing with ALNYLAM to the same terms and conditions as in the sublicense agreement. In the event PROTIVA becomes aware of a material breach of any sublicense by a Sublicensee, PROTIVA shall promptly notify ALNYLAM of the particulars of same and take all reasonable efforts to enforce the terms of such sublicense.

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(b) Unless otherwise provided in this Agreement, PROTIVA will notify ALNYLAM within ten (10) business days after execution of a sublicense entered into under Section 3.3 and provide a copy of the fully executed sublicense agreement to ALNYLAM within the same time frame (with such reasonable redactions as PROTIVA may make, provided that such redactions do not include provisions necessary to demonstrate compliance with the requirements of this Agreement), which shall be treated as Confidential Information under Article VIII; and provided further that ALNYLAM may disclose such agreement(s) to Third Parties under confidence if and to the extent required in order to comply with ALNYLAM's contractual obligations under both this Agreement and Third Party agreements.

3.6 Retained Rights of ALNYLAM. ALNYLAM expressly retains any rights not expressly granted to PROTIVA under this Article III (or otherwise under this Agreement). ALNYLAM represents and warrants that it has the right to grant the license under the ALNYLAM Patent Rights provided in Section 3.3.

3.7 Milestones with Respect to PROTIVA Development Products. On a Licensed Product-by-Licensed Product basis for PROTIVA Development Products that are Licensed Products, payments will be due by PROTIVA to ALNYLAM based upon the achievement of certain milestone events as set forth in the table below (all references are to U.S. dollars). PROTIVA will provide written notice to ALNYLAM of the occurrence of a milestone event within [**] of such event, and pay the indicated milestone fee to ALNYLAM within [**] after the occurrence of the relevant event.

Capitalized terms in the chart below shall be read in context to apply to PROTIVA Development Products that are Licensed Products.

Milestone Event	Milestone Fee
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]

In the event one or more milestone events set out above are skipped for any reason, the payment for such skipped milestone event(s) will be due at the same time as the payment for the next achieved milestone event. The milestone payments described above shall be payable only once in relation to each Licensed Product that achieves Approval in a Major Market (each, a "Successful Product"). Therefore, unless and until there is a Successful Product directed to a particular Target, any of the milestone payments made by PROTIVA under this Section in connection with

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a Licensed Product directed to such Target shall be fully creditable against the repeated achievement of such milestone event by any other Licensed Product directed to such Target. However, in the event that there is a Successful Product with respect to a Target and PROTIVA subsequently begins to Develop or continues to Develop another Licensed Product directed to such Target (a "Follow-On Product"), then, if and when any of the milestone events set out above is thereafter achieved for such Follow-On Product, in addition to the milestone payment for such milestone event, there will also be due and payable all of the milestone payment(s) for any such milestones that were achieved for such Follow-On Product prior to the achievement of Approval in a Major Market of a Successful Product with respect to such Target.

3.8 Clinical Events. PROTIVA will notify ALNYLAM in writing within [**] of the dosing, respectively, of the first patient in a Phase II Clinical Trial and in a Phase III Clinical Trial for each PROTIVA Development Product.

3.9 Royalties on PROTIVA Development Products. The license granted with respect to PROTIVA Development Targets under ALNYLAM Patent Rights will be royalty-bearing with respect to PROTIVA Development Products that are, with respect to PROTIVA, Licensed Products. Beginning with the first Royalty Quarter in which a First Commercial Sale in a country occurs, and on a country-by-country basis during subsequent Royalty Quarters, running royalties on Net Sales of PROTIVA Development Products covered by one or more Valid Claims of ALNYLAM Patent Rights in the Territory will be due in accordance with the applicable running royalty rates set out in the table below (all references are to U.S. dollars, and the Net Sales figures are the aggregated sums with respect to PROTIVA and all of its Affiliates and Sublicensees). If at the time of the First Commercial Sale or at any time thereafter all of the Valid Claims of ALNYLAM Patent Rights covering a PROTIVA Development Product expire in a particular country, then such product shall be royalty-free in such country; provided, however, that if one or more additional Valid Claims of ALNYLAM Patent Rights covering the PROTIVA Development Product thereafter issue in such country, such PROTIVA Development Product shall thereafter be royalty-bearing in such country for all Net Sales of such PROTIVA Development Product in such country occurring after the date of such issuance until expiration of such Valid Claim(s). No royalties will be payable more than once by PROTIVA with respect to any single unit of Licensed Product.

Aggregate Annual Net Sales	Royalty Rate
On the first [**]	[**]
On the subsequent [**]	[**]
On the subsequent [**]	[**]
Greater than [**]	[**]

3.10 Royalty Reduction. The royalties due to ALNYLAM under Section 3.9 above may be reduced on a country-by-country basis in the Territory by the amount of royalties paid or

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payable with respect to Necessary Third Party IP; provided, however, that royalties due to ALNYLAM under Section 3.9 may not be reduced by more than [**] of the royalties otherwise due (and will not in any case be reduced below [**] of the amount of royalties that would otherwise be due, e.g. for Net Sales up to and including [**] the minimum effective royalty rate would be [**]. For purposes of illustration only, if annual Net Sales of a PROTIVA Development Product are [**] and royalties due to Third Parties in respect of the sale of such product total [**] of Net Sales (or [**]), royalties due to ALNYLAM may be reduced only by [**] which is determined as follows: maximum reduction is [**] of the royalty due on Net Sales of [**], calculated by [**].

3.11 Studies by ALNYLAM. With mutual acknowledgement by PROTIVA and ALNYLAM, ALNYLAM has conducted certain activities as described in Appendix III to the Original Cross License Agreement. ALNYLAM has made the results of such studies available to PROTIVA under the Original Cross-License Agreement. The Parties hereby affirm their agreement to permit use, without royalty or other additional fee, of such results or other results arising from the Feasibility Study Agreement between ALNYLAM and PROTIVA dated April 16, 2007 and referenced under the letter agreement between the Parties dated June 1, 2007 in a manner consistent with the activities described in Appendix III to the Original Cross-License Agreement and in conjunction with or in support of PROTIVA's past and expected activities under the Second Target Research Plan (whether before or after the Effective Date).

ARTICLE IV – License to ALNYLAM under PROTIVA Patent Rights and Intellectual Property

4.1 Grants by PROTIVA.

(a) Class 1: PROTIVA grants to ALNYLAM a non-exclusive license under Class 1 PROTIVA Patent Rights, PROTIVA's interest in Joint Patent Rights and the Licensed Information to Research, Develop and Commercialize RNAi Products and miRNA Products for any Target in the ALNYLAM Field and in the Territory ("ALNYLAM Class 1 Development Products"). Such license includes the right to grant sublicenses under the license granted under this Section 4.1(a) to one or more Third Parties in a Bona Fide Collaboration with ALNYLAM, but solely within the scope of and for the purposes of such Bona Fide Collaboration, or with respect to the Researching, Developing and/or Commercializing of ALNYLAM Class 1 Development Products that meet one or more of the following: (i) such ALNYLAM Class 1 Development Product was initially Developed at least to the point of preclinical proof-of-principle by ALNYLAM in an Active Internal Development Program; (ii) such ALNYLAM Class 1 Development Product is an ALNYLAM Partnered Product; or (iii) such ALNYLAM Class 1 Development Product is an R&D Program Product.

(b) Class 2: PROTIVA grants to ALNYLAM a non-exclusive license under Class 2 PROTIVA Patent Rights and the Licensed Information to Research, Develop and Commercialize RNAi Products and miRNA Products for any ALNYLAM Target in the ALNYLAM Field and in the Territory ("ALNYLAM Class 2 Development Products"). Such license includes the right to grant sublicenses under the license granted in this Section 4.1(b); provided that such right to sublicense will apply only with respect to the Researching, Developing and/or Commercializing of ALNYLAM Class 2 Development Products that meet one or more of the following:

(i) such ALNYLAM Class 2 Development Product is an R&D Program Product; or

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(ii) such ALNYLAM Class 2 Development Product incorporates the same Formulation as the Lead Formulation of an R&D Program Product, whether or not it is directed at the same ALNYLAM Target as that R&D Program Product, and also meets one or more of the following: (1) such ALNYLAM Class 2 Development Product was initially Developed at least to the point of preclinical proof-of-principle by ALNYLAM in an Active Internal Development Program; or (2) such ALNYLAM Class 2 Development Product is an ALNYLAM Partnered Product.

(c) ALNYLAM may sublicense any and all of its rights under this Section 4.1 to ROCHE and to Hoffmann-La Roche Inc. ("ROCHE-NUTLEY", and together with ROCHE, the "ROCHE Sublicensees") pursuant to an agreement substantially in the form set forth in Exhibit E to this Agreement.

(d) ALNYLAM and PROTIVA acknowledge and agree that the determination of which items to include under Class 1 PROTIVA Patent Rights and Class 2 PROTIVA Patent Rights, both as defined in Section 1.47 and listed in Exhibits A-2 and A-3 respectively, was made based upon the descriptions included such Section. Accordingly, ALNYLAM and PROTIVA agree that any item listed in Exhibit A-3 as Class 2 PROTIVA Patent Rights or claim thereunder that meets the definition of Class 1 PROTIVA Patent Rights as described in Section 1.47 will become a Class 1 PROTIVA Patent Right and the relevant Exhibits will be updated accordingly. For purposes of clarity, only items or claims under Class 2 PROTIVA Patent Rights may change to Class 1 PROTIVA Patent Rights, and the Parties agree that Class 1 PROTIVA Patent Rights will not change to Class 2 PROTIVA Patent Rights for any purpose of this Agreement.

4.2 Retained Rights of PROTIVA. PROTIVA expressly retains any rights of PROTIVA not expressly granted to ALNYLAM under this Article IV (or otherwise under this Agreement). PROTIVA represents and warrants that it has the right to grant the license under the PROTIVA Patent Rights provided in Section 4.1.

4.3 Term. Unless terminated sooner as described in Article XII, the term of the licenses granted to ALNYLAM under the Class 1 PROTIVA Patent Rights and the Class 2 PROTIVA Patent Rights commenced on the Original Effective Date and ends upon the expiration or abandonment of all issued patents and filed applications with the Class 1 PROTIVA Patent Rights and Class 2 PROTIVA Patent Rights, respectively; provided, however, that following the expiration of such license at the end of such term, ALNYLAM and its Affiliates or Sublicensees shall have the worldwide, perpetual and paid-up right to Research, Develop, and Commercialize any Class 1 ALNYLAM Development Product or Class 2 ALNYLAM Development Product to the extent not covered by other patent rights.

4.4 No grant of rights to TEKMIRA. Except in connection with the exercise of the Tekmira Facilities Option or as otherwise specifically set forth in this Agreement, prior to the end of the Restriction Period, in no event will ALNYLAM have the right to sublicense or agree to sublicense any PROTIVA Patent Rights to TEKMIRA.

4.5 Sublicense.

(a) Any sublicense granted by ALNYLAM pursuant to Section 4.1 shall be subject and subordinate to the terms and conditions of this Agreement and shall contain terms and conditions consistent with those in this Agreement, including, without limitation, the requirements of Sections 4.2 and 4.4 above. Agreements with any Sublicensee shall contain the following provisions: (i) a requirement that such Sublicensee submit applicable sales or other reports consistent with those required hereunder; (ii) an audit requirement similar to the requirement set forth in Section 9.5; and (iii) a requirement that such Sublicensee comply with the confidentiality and non-use provisions of Article VIII. ALNYLAM shall assume full responsibility for the performance of all obligations and the observance of all terms herein under a sublicense to the license granted for ALNYLAM Development Products and will itself pay and account to PROTIVA for all payments due by reason of such sublicense. Sublicenses under the licenses granted for ALNYLAM Development Products will remain in full force and effect in the event of any termination of one or both of the licenses, provided that sublicensee(s) are in compliance with the sublicense agreement (or are in compliance within thirty (30) days of the termination) and agree in writing with PROTIVA to the same terms and conditions as in the sublicense agreement. In the event ALNYLAM becomes aware of a material breach of any sublicense by a Sublicensee, ALNYLAM shall promptly notify PROTIVA of the particulars of same and take all reasonable efforts to enforce the terms of such sublicense.

(b) Unless otherwise provided in this Agreement, ALNYLAM will notify PROTIVA within ten (10) business days after execution of a sublicense entered into under Section 4.1 and provide a copy of the fully executed sublicense agreement to PROTIVA within the same time frame (with such reasonable redactions as ALNYLAM may make, provided that such redactions do not include provisions necessary to demonstrate compliance with the requirements of this Agreement), which shall be treated as Confidential Information under Article VIII; and provided further that PROTIVA may disclose such agreement(s) to Third Parties under confidence if and to the extent required in order to comply with PROTIVA's contractual obligations under both this Agreement and Third Party agreements.

4.6 License Fee; Payment. In addition to the fee paid by ALNYLAM pursuant to Section 2.9, ALNYLAM has previously paid PROTIVA an upfront license fee of [**] for the licenses granted to ALNYLAM under Section 4.1 of this Agreement. PROTIVA acknowledges the full receipt of such payment.

4.7 Milestones with Respect to ALNYLAM Development Products. On a product-by-product basis for ALNYLAM Development Products that are Licensed Products, and subject to the provisions of Section 4.10, payments will be due by ALNYLAM to PROTIVA based on the achievement of certain milestone events as set forth in the table below (all references are to U.S. dollars). ALNYLAM will provide written notice to PROTIVA of the occurrence of a milestone event within [**] of such event, and pay the indicated milestone fee to PROTIVA within [**] after the occurrence of the relevant event.

Capitalized terms in the chart below shall be read in context to apply to ALNYLAM Development Products that are Licensed Products; provided, however, that only one milestone payment will be due in respect of a given Licensed Product.

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Milestone Event	Milestone Fee
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]
[**]	[**]

In the event one or more milestone events set out above are skipped for any reason, the payment for such skipped milestone event(s) will be due at the same time as the payment for the next achieved milestone event. The milestone payments described above shall be payable only once in relation to each Successful Product. Therefore, unless and until there is a Successful Product directed to a particular Target, any of the milestone payments made by ALNYLAM under this Section in connection with a Licensed Product directed to such Target shall be fully creditable against the repeated achievement of such milestone event by any other Licensed Product directed to such Target. However, in the event that there is a Successful Product with respect to a Target and ALNYLAM subsequently begins to Develop or continues to Develop a Follow-On Product, if and when any of the milestone events set out above is thereafter achieved for such Follow-On Product, in addition to the milestone payment for such milestone event, there will also be due and payable all of the milestone payment(s) for any such milestones that were achieved for such Follow-On Product prior to the achievement of Approval in a Major Market of a Successful Product with respect to such Target.

4.8 Clinical Events. ALNYLAM will notify PROTIVA in writing within [**] of the dosing, respectively, of the first patient in each of a Phase I Clinical Trial, a Phase II Clinical Trial, and a Phase III Clinical Trial for each ALNYLAM Development Product.

4.9 Royalties on ALNYLAM Development Products. The license granted with respect to ALNYLAM Development Products under PROTIVA Patent Rights will be royalty-bearing with respect to ALNYLAM Development Products that are, with respect to ALNYLAM, Licensed Products (whether or not the same are directed to Biodefense Targets). Beginning with the first Royalty Quarter in which a First Commercial Sale in a country occurs, and on a country-by-country basis during subsequent Royalty Quarters, and subject to the provisions of Section 4.10, running royalties on Net Sales of ALNYLAM Development Products covered by one or more Valid Claims of PROTIVA Patent Rights in the Territory will be determined and due, as follows:

(a) Where the Net Sales are those of, and are invoiced by, any one of the following:

(i) ALNYLAM or its Affiliate;

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(ii) a ROCHE Sublicensee under a sublicense granted in accordance with Section 4.1(c);

(iii) Regulus Therapeutics LLC, under a sublicense granted by ALNYLAM in compliance with Section 4.5; or

(iv) another Sublicensee under a sublicense granted by ALNYLAM in connection with, and solely for the purpose of, a Bona Fide Collaboration of ALNYLAM, and solely for the purposes of such Bona Fide Collaboration,

the applicable running royalty rates shall be as set out in the table below (all references are to U.S. dollars, and the Net Sales figures are the aggregated sums with respect to ALNYLAM and all of its Affiliates and Sublicensees):

Aggregate Annual Net Sales	Royalty Rate
On the first [**]	[**]
On the subsequent [**]	[**]
Greater than [**]	[**]

(b) In all other cases, the applicable running royalty rates shall be as set out in the table below:

Aggregate Annual Net Sales	Royalty Rate
On the first [**]	[**]
On the subsequent [**]	[**]
On the subsequent [**]	[**]
Greater than [**]	[**]

(c) If at the time of the First Commercial Sale or at any time thereafter all of the Valid Claims of PROTIVA Patent Rights covering an ALNYLAM Development Product expire in a particular country, then such product shall be royalty-free in such country; provided, however, that if one or more additional Valid Claims of PROTIVA Patent Rights covering the ALNYLAM Development Product thereafter issue in such country, such ALNYLAM Development Product shall thereafter be royalty-bearing in such country for all Net Sales of such ALNYLAM Development Product in such country occurring after the date of such issuance until expiration of such Valid Claim(s). No royalties will be payable more than once by ALNYLAM with respect to any single unit of Licensed Product.

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4.10 Biodefense Targets. The milestone fees payable by ALNYLAM to PROTIVA under Section 4.7 with respect to ALNYLAM Development Products that are Licensed Products directed to Biodefense Targets that are not intended for sale to a Funding Authority, will be as set forth in Section 4.7. The milestone fees payable by ALNYLAM to PROTIVA with respect to ALNYLAM Development Products that are Licensed Products directed to Biodefense Targets which are intended for sale to a Funding Authority shall be payable on a product-by-product basis as follows:

Milestone Event	Milestone Fee
[**]	[**]
[**]	[**]
[**]	[**]

In the event one or more milestone events set out above are skipped for any reason, the payment for such skipped milestone event(s) will be due at the same time as the payment for the next achieved milestone event. The milestone payments described above shall be payable only once in relation to each Licensed Product directed to a Biodefense Target that achieves First Commercial Sale in a Major Market (each, a "Successful Biodefense Product"). Therefore, unless and until there is a Successful Biodefense Product directed to a particular Biodefense Target, any of the milestone payments made by ALNYLAM under this Section in connection with a Licensed Product directed to such Biodefense Target shall be fully creditable against the repeated achievement of such milestone event by any other Licensed Product directed to such Biodefense Target. However, in the event that there is a Successful Product with respect to a Biodefense Target and PROTIVA subsequently begins to Develop or continues to Develop a Follow-On Product, then, if and when any of the milestone events set out above is thereafter achieved for such Follow-On Product, in addition to the milestone payment for such milestone event, there will also be due and payable all of the milestone payment(s) for any such milestones that were achieved for such Follow-On Product prior to the achievement of Approval in a Major Market of a Successful Product with respect to such Biodefense Target.

4.11 Royalty Reduction. Any royalties due PROTIVA under Section 4.9 above may be reduced on a country-by-country basis in the Territory by the amount of royalties paid with respect to Necessary Third Party IP; provided, however, that royalties due to PROTIVA under Section 4.9 may not be reduced by more than [**] of the royalties otherwise due (and will not in any case be reduced below [**] of the amount of royalties that would otherwise be due, e.g. for Net Sales up to and including [**] the minimum effective royalty rate would be [**]). For purposes of illustration only, if annual Net Sales of an ALNYLAM Development Product are [**] and royalties due to Third Parties in respect of the sale of such product total [**] of Net Sales (or [**]), royalties due to PROTIVA may be reduced only by [**], which is determined as follows: maximum reduction is one-third of the royalty due on Net Sales of [**], calculated by [**].

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4.12 Suspension of Royalties and Milestones. If any ALNYLAM Development Product that is a Licensed Product is also an "Alnylam Royalty Product" (as such term is defined in the ALNYLAM-TEKMIRA License Agreement), ALNYLAM shall not be required to pay royalties or milestone fees with respect to such ALNYLAM Development Product that is a Licensed Product under both this Agreement and the ALNYLAM-TEKMIRA License Agreement, but, rather, shall pay only the larger of such royalties or milestone fees under such agreements, respectively. Moreover, in the event that ALNYLAM is required to make any payments to UBC pursuant to the UBC Sublicense Agreement or pursuant to a direct license agreement between UBC and ALNYLAM as a result of the default by, or bankruptcy or insolvency of, TEKMIRA as more fully described in Section 3.4 and Article 17.0 of the Tekmira-UBC License Agreement (as such terms are defined in the ALNYLAM-TEKMIRA License Agreement), then ALNYLAM shall be entitled to offset any amounts payable by ALNYLAM to PROTIVA under this Agreement pursuant to this Section 4.12 by the amount of ALNYLAM's payments to UBC until such amounts have been credited in full.

4.13 More Favorable Terms. If after the Effective Date, PROTIVA grants to a Third Party any license substantially similar in scope and substance to the license grant to Alnylam with respect to the PROTIVA Patent Rights on terms calling for milestone fees and royalties that are, as a whole, more favorable (to the licensee in such other license) than the comparable terms contained in this Article IV, then PROTIVA shall so notify ALNYLAM and, at ALNYLAM's option, such more favorable financial terms granted to such Third Party shall apply to ALNYLAM's or its Affiliates' or Sublicensees' license with respect to the PROTIVA Patent Rights, rather than the royalty terms and milestone fees stated under this Article IV.

4.14 Acknowledgement. For clarity, the Parties acknowledge that no conceptions, developments, techniques, data, inventions, improvements, technical information, or works of authorship that were, are, or that hereafter may be in whole or in part conceived, reduced to practice, discovered, created, authored or otherwise made or obtained by or for TEKMIRA or its contractors at any time during the period from January 18, 2001 through the expiration of the Restriction Period, will be considered to be owned or controlled by PROTIVA by virtue of any agreement, right, or claim existing or arguably existing prior to the Effective Date.

ARTICLE V – CONDUCT OF R&D RESEARCH PLAN AND FUNDING FROM ALNYLAM

5.1 Research Term. ALNYLAM and PROTIVA hereby agree to continue to conduct a research and development program pursuant to the R&D Research Plan, which program commenced on the Original Effective Date and shall continue until [**] (the "Research Term"); provided, however, that the Research Term may be extended once by ALNYLAM for an additional [**] if ALNYLAM exercises such right by notice received by PROTIVA no later than [**] prior to the expiration of the initial [**].

5.2 During the Research Term, PROTIVA will use commercially reasonable efforts to provide for the conduct of activities pursuant to the R&D Research Plan by qualified employees of PROTIVA, or individual contractors approved by the JSC, who collectively will

spend time and effort working on activities pursuant to the R&D Research Plan equivalent to the time and effort of seven (7) full-time employees for the Research Term. Full-time employee or equivalent will be based on at least forty-five (45) weeks per calendar year and forty (40) hours per week of work (less normal vacations, sick days and holidays) ("FTE").

5.3 Funding. ALNYLAM will continue to provide funding to PROTIVA for the staffing and conduct of activities under the R&D Research Plan in the amount of [**] during the Research Term (and funding in the same amount over the renewal term, if any), payable in [**] equal quarterly installments of [**] each. The funding amount is deemed to cover PROTIVA's reasonably anticipated costs for the FTEs dedicated to the conduct of the R&D Research Plan in accordance with Section 5.2 above, including any general and administrative overhead costs for such FTEs and the costs and expenses for chemical and other research supplies and equipment used by the FTEs in conducting activities under the R&D Research Plan. For purposes of clarity, such costs and expenses will not be separately reimbursed by ALNYLAM to PROTIVA.

5.4 Conduct of Research.

(a) General. PROTIVA will conduct its activities under the R&D Research Plan in good scientific manner, and in compliance in all material respects with the requirements of applicable laws and regulations (including, where applicable, the requirements of the United States Federal government in connection with activities funded by it) and, where necessary, with applicable good laboratory practices, to attempt to achieve its objectives efficiently and expeditiously. Without limiting the foregoing, PROTIVA will carry out its obligations under the R&D Research Plan and this Agreement using sustained efforts that are at least equivalent to those efforts and resources commonly used by PROTIVA and other biopharmaceutical companies similar to PROTIVA for a comparable program of research. PROTIVA will maintain laboratories, offices and all other facilities reasonably necessary to carry out the activities to be performed by it pursuant to the R&D Research Plan. In conformity with standard pharmaceutical and biotechnology industry practices and the terms and conditions of this Agreement, PROTIVA will prepare and maintain, or will cause to be prepared and maintained, complete and accurate written records, accounts, notes, reports and data with respect to activities conducted pursuant to the R&D Research Plan.

(b) R&D Research Plan. PROTIVA will conduct activities under a mutually agreed upon research plan pursuant to which PROTIVA will seek to identify and develop Formulations using PROTIVA's SNALP Technology (and expected to be covered by PROTIVA Patent Rights) to deliver siRNA drug molecules supplied from ALNYLAM locally or systemically (e.g. to intended cells and tissues, organs or whole animals) (the "R&D Research Plan"). ALNYLAM will have sole discretion as to the selection of siRNA molecules for inclusion under the R&D Research Plan, provided that ALNYLAM may not select such molecules if ALNYLAM knows or reasonably should know that such molecule is directed to any of the following: (i) the PLK Target; (ii) the Second Target; (iii) another PROTIVA Development Target which is approved or remains in process in accordance with the terms in Section 3.2 of this Agreement or (iv) a Tekmira Development Target. During the Research Term, PROTIVA will not work on ALNYLAM Targets included in the R&D Research Plan for its internal programs or on behalf of any Third Party, unless PROTIVA is, at the time of ALNYLAM's request to include such ALNYLAM Target in the R&D Research Plan, working on such Target (i) in its internal

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programs or (ii) on behalf of any Third Party, or has agreed in writing to do so with a Third Party; and PROTIVA promptly provides written notice to ALNYLAM with respect to which exception above applies and for which ALNYLAM Target. ALNYLAM will have the right to suspend work on any siRNA molecule, and, if it so desires, to name additional siRNA molecules in its place, under the R&D Research Plan at any time upon written notice to PROTIVA. The R&D Research Plan will set forth the research objectives and activities to be performed during the Research Term with reasonable specificity, including without limitation: the Party responsible for performing identified activities and a timeline for such activities. The R&D Research Plan will otherwise be consistent with this Agreement. In the event of any conflict between the terms of this Agreement and the terms in the R&D Research Plan as it may be updated, the terms of this Agreement will govern. The Parties have prepared an updated R&D Research Plan setting out the primary activities to be conducted for the 2008 calendar year, which is attached to this Agreement as Exhibit D. The JSC will be responsible for further updating and amending the R&D Research Plan at least quarterly or more frequently as needed, based on the progress and results of the conduct of the R&D Research Plan. PROTIVA will, from time to time as outlined in the R&D Research Plan, provide, periodic reports to ALNYLAM with respect to progress under the R&D Research Plan (no less frequently than quarterly), including without limitation information on PROTIVA's standard-form Analytical Report for formulated materials delivered by PROTIVA to ALNYLAM as contemplated under the R&D Research Plan and Appendix II to this Agreement ("Analytical Report"). At the end of the Research Term, PROTIVA will provide a final report to ALNYLAM with respect to all results and outcomes (e.g., Formulations) of the then current R&D Research Plan.

(c) Material Transfer. In order to facilitate the work under the R&D Research Plan, ALNYLAM and PROTIVA will transfer to one another certain materials or chemical compounds for use in furtherance of the conduct of the R&D Research Plan ("Substances"). Except as otherwise provided under this Agreement, Substances delivered by one Party to the other Party will remain the sole property of the supplying Party, will be used only for purposes of the R&D Research Plan and will remain solely under the control of the supplying Party, will not be used or delivered to or for the benefit of any Third Party without the prior written consent of the supplying Party and will not be used in research or testing involving human subjects. The Substances supplied pursuant to this Agreement will be used with prudence and appropriate caution as all of their characteristics may not be known. THE SUBSTANCES ARE PROVIDED "AS IS" AND WITHOUT ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTY OR MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE.

(d) Subcontracts. PROTIVA will not be permitted to perform any of its obligations in connection with performance of activities under the R&D Research Plan through the use of subcontractor(s) without the prior written consent of ALNYLAM.

5.5 Role of JSC. The conduct of the R&D Research Plan will be coordinated by the Joint Steering Committee. If a consensus is not reached among the members of the Joint Steering Committee with respect to the conduct of activities under the R&D Research Plan, ALNYLAM's representatives on the JSC will have the deciding vote on that matter, provided that such decision is otherwise made in a manner consistent with this Agreement.

5.6 Disclosures Pursuant to R&D Research Plan.

(a) Promptly after the Effective Date, and on an on-going basis thereafter (at least once each Calendar Quarter), PROTIVA will provide to ALNYLAM all then-existing Licensed Information with respect to each Formulation identified or developed under this Agreement in connection with the R&D Research Plan . During the Research Term, the provision of such Licensed Information by PROTIVA will be without additional cost to ALNYLAM to the extent such activities are within the scope of work under the R&D Research Plan.

(b) Subsequent to the Research Term as may be extended, or otherwise if outside the scope of the work under the R&D Research Plan, and subject to mutual agreement as to reasonable additional fees or costs, ALNYLAM may engage PROTIVA as a consultant (and PROTIVA agrees to be so engaged) for purposes of effectuating the provision of such Licensed Information and with respect to regulatory matters.

(c) Promptly after the Effective Date and on an ongoing and timely basis thereafter during the Research Term, ALNYLAM shall (unless otherwise requested by PROTIVA in any instance or instances) disclose to PROTIVA data generated by ALNYLAM using the Substances provided by PROTIVA to ALNYLAM pursuant to Section 5.4(c) ("ALNYLAM Data").

(d) ALNYLAM grants to PROTIVA a perpetual, non-exclusive, royalty-free, worldwide license to use and exploit the ALNYLAM Data; provided, however, that: (i) PROTIVA will, pursuant to Article VIII, protect from disclosure any of such ALNYLAM Data that constitutes ALNYLAM's Confidential Information and (ii) to the extent any ALNYLAM Data that constitutes ALNYLAM's Confidential Information relates to a Particular Moiety (other than a Particular Moiety directed at the PLK Target or a PROTIVA Development Target), PROTIVA will not use or exploit such ALNYLAM Data, or transfer or sublicense such ALNYLAM Data to any Third Party, for the purposes of Research, Development, or Commercialization of products directed at the Target of such Particular Moiety, except to contractors and subcontractors of PROTIVA permitted under Section 5.2 or 5.4(d).

5.7 Regulatory Matters. ALNYLAM will have the sole authority and responsibility, at its cost and expense, for all regulatory matters relating to conduct of any clinical trials on R&D Program Products and seeking and obtaining regulatory approvals. In addition to performing any activities pursuant to the R&D Research Plan, during the Research Term, PROTIVA will provide ALNYLAM with such assistance as is reasonably requested by ALNYLAM from time to time to perform its responsibilities with respect to regulatory matters at no additional cost to ALNYLAM. Subsequent to the Research Term, PROTIVA will be paid its costs and reasonable fees at its then-current consulting rates for such additional assistance.

5.8 Biological Data. During the Research Term, to the extent not prohibited under agreements with Third Parties, PROTIVA agrees to make available to ALNYLAM, and ALNYLAM agrees to make available to PROTIVA, as and when more fully described in the R&D Research Plan, all relevant biological data from material *in vitro* and *in vivo* testing (whether or not conducted under the R&D Research Plan and whether conducted prior to or following the Original Effective Date) of Formulations that may be identified or developed under the R&D Research Plan.

ARTICLE VI – JOINT STEERING COMMITTEE

6.1 Joint Steering Committee. The Parties previously established a Joint Steering Committee pursuant to the Original Cross License Agreement. This JSC will continue and will include an equal number of representatives from each Party and will meet at least once every calendar quarter in person or via telephone conference.

6.2 JSC Responsibilities. The JSC has the following responsibilities:

(i) coordinating the conduct of activities under the PLK Research Plan and the R&D Research Plan;

(ii) receiving updates on the overall progress of the PLK Research Plan and the R&D Research Plan and, consistent with Appendix II hereof, any Analytical Reports and related disclosures under the respective research plans;

(iii) reviewing, recommending and approving annual updates to the PLK Research Plan and the R&D Research Plan and related budgets; and

(iv) performing such other activities as are contemplated by this Agreement or that the Parties agree will be the responsibility of the JSC, it being understood and agreed that the JSC shall have no role or responsibilities following the Effective Date with respect to any work or activities under the Second Target Research Plan.

The JSC's responsibilities with respect to the PLK Research Plan and progress thereunder may be delegated by the Parties' respective members of the JSC to senior level employees of the Parties who will follow the requirements set forth in this Agreement for the JSC in the context of the PLK Target.

ARTICLE VII – INTELLECTUAL PROPERTY

7.1 Ownership. Inventorship for patentable inventions conceived or reduced to practice during the course of the performance of activities pursuant to this Agreement shall be determined in accordance with United States patent laws for determining inventorship. ALNYLAM will solely own all intellectual property discovered and reduced to practice solely by ALNYLAM directly in the course of work conducted after the Original Effective Date under the Second Target Research Plan or under the PLK Research Plan or under the R&D Research Plan. PROTIVA will solely own all intellectual property discovered and reduced to practice solely by PROTIVA directly in the course of work conducted after the Original Effective Date under the Second Target Research Plan or under the PLK Research Plan or under the R&D Research Plan. The Parties will jointly own all intellectual property discovered and reduced to practice jointly by ALNYLAM and PROTIVA directly in the course of work conducted after the Original Effective Date under the Second Target Research Plan or under the PLK Research Plan or under the R&D Research Plan, and all Joint Patent Rights.

7.2 Prosecution and Maintenance of Patent Rights. ALNYLAM will have the sole right and responsibility, at ALNYLAM's discretion and at its expense, to file, prosecute and maintain patent protection in the Territory for all ALNYLAM Patent Rights, except for

Exclusively Licensed Tekmira IP. PROTIVA will have the sole right and responsibility, at PROTIVA's discretion and at its expense, to file, prosecute and maintain patent protection in the Territory for all PROTIVA Patent Rights.

7.3 Joint Patent Rights. Subject to the rights granted each Party under this Agreement, each Party shall have the right to use, sell, keep, license or assign its interest in Joint Patent Rights and otherwise undertake all activities a sole owner might undertake with respect to such Joint Patent Rights without the consent of and without accounting to the other Party. Subject to PROTIVA's continuing right to the prior review of, comment on, revision to and approval of material documents, which shall not be unreasonably delayed or withheld, ALNYLAM has the first responsibility to, at ALNYLAM's discretion and expense, file, prosecute, and maintain (including the defense of any interference or opposition proceedings) in the Territory, all Joint Patent Rights, in the names of both PROTIVA and ALNYLAM. If ALNYLAM elects not to seek or continue to seek or maintain patent protection on any Joint Patent Rights, then PROTIVA shall have the right (but not the obligation), at its expense, to file, prosecute and maintain (including the defense of any interference or opposition proceedings) in the Territory, such Joint Patent Right, in the names of both PROTIVA and ALNYLAM.

7.4 Cooperation. Each Party hereby agrees: (a) to make its employees, agents and consultants reasonably available to the other Party (or to the other Party's authorized attorneys, agents or representatives), to the extent reasonably necessary to enable such Party to undertake patent prosecution; (b) to provide the other Party with copies of all material correspondence pertaining to prosecution with the patent offices; (c) to cooperate, if necessary and appropriate, with the other Party in gaining patent term extensions wherever applicable to patent rights; and (d) to endeavor in good faith to coordinate its efforts with the other Party to minimize or avoid interference with the prosecution and maintenance of the other Party's patent applications.

7.5 Third Party Infringement of ALNYLAM Patent Rights.

(a) Each Party will promptly report in writing to the other Party during the Term any known or suspected infringement by a Third Party of any of the ALNYLAM Patent Rights of which such Party becomes aware, as such infringement relates to Research, Development or Commercialization of Licensed Products for the PLK Target or one or more of the PROTIVA Development Targets, or any PROTIVA Development Products, and will provide the other Party with all available evidence supporting such infringement.

(b) ALNYLAM will have the sole and exclusive right to initiate an infringement or other appropriate suit in the Territory with respect to infringements or suspected infringements of any of the ALNYLAM Patent Rights, and to any and all recoveries obtained in connection therewith.

(c) ALNYLAM will have the sole and exclusive right to select counsel for any suit referred to in subsection 7.5(b) above initiated by it and will pay all expenses of the suit, including without limitation attorneys' fees and court costs.

7.6 Third Party Infringement of PROTIVA Patent Rights.

(a) Each Party will promptly report in writing to the other Party during the Term any known or suspected infringement by a third party of any of the PROTIVA Patent Rights of which such Party becomes aware, as such infringement relates to the Research, Development or Commercialization of Licensed Products directed at any ALNYLAM Target or any ALNYLAM Development Products and will provide the other Party with all available evidence supporting such infringement.

(b) PROTIVA will have the sole and exclusive right to initiate an infringement or other appropriate suit in the Territory with respect to infringements or suspected infringements of any of the PROTIVA Patent Rights and to any and all recoveries obtained in connection therewith.

(c) PROTIVA will have the sole and exclusive right to select counsel for any suit referred to in subsection 7.6(b) above initiated by it and will pay all expenses of the suit, including without limitation attorneys' fees and court costs.

7.7 Rights to Enforce Joint Patent Rights.

(a) Each Party will promptly report in writing to the other Party during the Term any known or suspected infringement by a third party of any of the Joint Patent Rights of which such Party becomes aware. ALNYLAM will have the first right to initiate an infringement or other appropriate suit in the Territory with respect to infringements or suspected infringements of any of the Joint Patent Rights; provided, that if ALNYLAM fails to initiate a suit or take other appropriate action with respect to a Joint Patent Right within ninety (90) days after becoming aware of the basis for such suit or action, then PROTIVA may, in its discretion, provide ALNYLAM with written notice of PROTIVA's intent to initiate a suit or take other appropriate action with respect to such Joint Patent Right. If PROTIVA provides such notice and ALNYLAM fails to initiate a suit or take such other appropriate action within thirty (30) days after receipt of such notice from PROTIVA, then PROTIVA shall have the right to initiate a suit or take other appropriate action that it believes is reasonably required to protect its interests under such Joint Patent Right.

(b) Regardless of which Party brings such enforcement action, the Party not bringing the enforcement action shall (i) provide all reasonable assistance to the Party bringing the action, at the expense of the Party bringing the action, and (ii) have the right to join and participate in such action at its own expense with its own counsel and to share equally all expenses of such suit if it so elects. If required under applicable law in order for the initiating Party to initiate and/or maintain such suit, or if the initiating Party is unable to initiate or prosecute such suit solely in its own name or it is otherwise advisable to obtain an effective legal remedy, in each case, the other Party shall, at the expense of the initiating Party, join as a party to the suit and will execute and cause its Affiliates to execute all documents necessary for the initiating Party to initiate litigation to prosecute and maintain such action.

(c) Any damages or other recovery, whether by settlement or otherwise, from an action under this Section 7.7 to enforce the Joint Patent Rights shall first be applied pro rata to reimburse the Parties for the costs and expenses of litigation in such action, and any remaining amount shall be paid to the Party conducting the litigation, or shared equally if both Parties participated voluntarily throughout the litigation and shared its expenses.

7.8 Claimed Infringement of Third Party Rights.

(a) In the event that a Third Party at any time provides written notice of a claim to, or brings an action, suit or proceeding against, either Party, or any of their respective Affiliates or Sublicensees, claiming infringement of its patent rights based upon an assertion or claim arising out of the development, use, manufacture, distribution, importation or sale of Licensed Products ("Third Party Claim"), such Party will promptly notify the other Party of the claim or the commencement of such action, suit or proceeding, enclosing a copy of the claim and all papers served. Each Party agrees to make available to the other Party its advice and counsel regarding the technical merits of any such claim at no cost to the other Party and to offer reasonable assistance to the other Party at no cost to the other Party.

(b) Except as set forth herein, each Party shall have sole and exclusive responsibility for the defense of its own interests in actions in which they are named in connection with any Third Party Claim brought against either Party or any of their respective Affiliates or Sublicensees. All litigation costs and expenses incurred by either Party in connection with the defense of such Third Party Claim will be borne by such Party. Each Party will keep the other Party promptly informed, and may from time to time consult with the other Party regarding the status of any such Third Party Claims.

(c) Neither Party will settle any Third Party claim in a manner that is in derogation of the rights of the other Party without obtaining the prior written consent of such other Party.

(d) THE PROVISIONS OF THIS SECTION 7.8 STATE THE ENTIRE RESPONSIBILITY OF THE PARTIES, AND THE SOLE AND EXCLUSIVE REMEDY OF THE PARTIES, IN THE CASE OF ANY THIRD PARTY CLAIMS OR VIOLATION OF ANY THIRD PARTY'S RIGHTS.

7.9 Other Infringement Resolutions. In the event of a dispute or potential dispute which has not ripened into a demand, claim or suit of the types described above in this Article VII, the same principles governing control of the resolution of the dispute, consent to settlements of the dispute, and implementation of the settlement of the dispute will apply.

7.10 Interpretation of Patent Judgments. If any claim relating to a patent under the ALNYLAM Patent Rights or the PROTIVA Patent Rights or Joint Patent Rights becomes the subject of a judgment, decree or decision of a court, tribunal, or other authority of competent jurisdiction in any country, which judgment, decree, or decision is or becomes final (there being no further right of review) and adjudicates the validity, enforceability, scope, or infringement of the same, the construction of such claim in such judgment, decree or decision shall be followed thereafter in such country in determining whether a product is a Licensed Product hereunder, not only as to such claim but also as to all other claims in such country to which such construction reasonably applies. If at any time there are two or more conflicting final judgments, decrees, or decisions with respect to the same claim, the decision of the higher tribunal shall thereafter control, but if the tribunal be of equal rank, then the final judgment, decree, or decision more favorable to such claim shall control unless and until the majority of such tribunals of equal rank adopt or follow a less favorable final judgment, decree, or decision, in which event the latter shall control.

7.11 Product Trademarks. ALNYLAM shall own trademarks for ALNYLAM Development Products and shall be solely responsible for filing and maintaining such trademarks in the Territory (including payment of costs associated therewith), ALNYLAM shall assume full responsibility, at its sole cost and expense, for any infringement of a trademark for an ALNYLAM Development Product by a Third Party and for any claims of infringement of the rights of a Third Party by the use of a trademark in connection with such ALNYLAM Development Product. PROTIVA shall own the trademarks for PROTIVA Development Products and shall be solely responsible for filing and maintaining such trademarks in the Territory (including payment of costs associated therewith). PROTIVA shall assume full responsibility, at its sole cost and expense, for any infringement of a trademark for a PROTIVA Development Product by a Third Party and for any claims of infringement of the rights of a Third Party by the use of a trademark in connection with such PROTIVA Development Product.

7.12 Patent Certification. To the extent required by law or permitted by law, the Parties shall use reasonable efforts to maintain with the applicable regulatory authorities during the Term correct and complete listings of applicable patent rights for ALNYLAM Development Products and PROTIVA Development Products, as the case may be, being commercialized, including all so called “Orange Book” listings required under the Hatch-Waxman Act.

ARTICLE VIII – CONFIDENTIAL INFORMATION, PUBLICATION, AND NON-SOLICITATION

8.1 Non-Use and Non-Disclosure of Confidential Information. Each Party agrees that all Confidential Information of a Party that is disclosed by a Party to the other Party (a) will not be used by the receiving Party except in connection with the activities contemplated by this Agreement or in order to further the purposes of this Agreement, (b) will be maintained in confidence by the receiving Party, and (c) will not be disclosed by the receiving Party to any Third Party who is not a consultant or advisor under an obligation of confidentiality to, the receiving Party or an Affiliate or Sublicensee of the receiving Party, without the prior written consent of the disclosing Party. Notwithstanding the foregoing, the receiving Party will be entitled to use and disclose Confidential Information of the disclosing Party which (i) was known by the receiving Party or its Affiliates prior to its date of disclosure by the disclosing Party to the receiving Party as demonstrated by legally admissible evidence available to the receiving Party or its Affiliates, (ii) either before or after the date of the disclosure such Confidential Information is lawfully disclosed to the receiving Party or its Affiliates by sources other than the disclosing Party, (iii) either before or after the date of the disclosure by the disclosing Party to the receiving Party such Confidential Information becomes published or otherwise part of the public domain through no fault or omission on the part of the receiving Party or its Affiliates, (iv) is independently developed by or for the receiving Party or its Affiliates without reference to or in reliance upon the Confidential Information as demonstrated by legally admissible evidence available to the receiving Party or its Affiliates, (v) is reasonably necessary to conduct clinical trials or to obtain regulatory approval of RNAi Products or miRNA Products or for the prosecution and maintenance of patent rights, (vi) is reasonably required in order for a Party to obtain financing or conduct discussions with Development or Commercialization partners so long as such Third Party recipients are bound by an obligation of confidentiality or (vii) in the reasonable judgment of the disclosing Party is required to be disclosed by the receiving Party to comply with applicable laws or regulations or legal process, including without limitation by the

rules or regulations of the United States Securities and Exchange Commission or similar regulatory agency in a country other than the United States or of any stock exchange or NASDAQ, provided that the receiving Party provides prior written notice of such disclosure to the disclosing Party and takes reasonable and lawful actions to avoid or minimize the extent of such disclosure.

If a Party is required by judicial or administrative process to disclose Confidential Information that is subject to the non-disclosure provisions of this Section 8.1, such Party shall promptly inform the other Party of the disclosure that is being sought in order to provide the other Party an opportunity to challenge or limit the disclosure obligations. Confidential Information that is disclosed by judicial or administrative process shall remain otherwise subject to the confidentiality and non-use provisions of this Section 8.1, and the Party disclosing Confidential Information pursuant to law or court order shall take all steps reasonably practical, including without limitation seeking an order of confidentiality, to ensure the continued confidential treatment of such Confidential Information. In addition to the foregoing restrictions on public disclosure, if either Party concludes that a copy of this Agreement must be filed with the United States Securities and Exchange Commission or similar regulatory agency in a country other than the United States, such Party shall seek the maximum confidential treatment available under applicable law, provide the other Party with a copy of this Agreement showing any sections as to which the Party proposes to request confidential treatment, provide the other Party with an opportunity to comment on any such proposal and to suggest additional portions of this Agreement for confidential treatment, and take such Party's reasonable comments into consideration before filing this Agreement.

8.2 Limitation on Disclosures. Each Party agrees that it will provide Confidential Information received from the other Party solely to its employees, consultants and advisors, and the employees, consultants and advisors of its Affiliates or Sublicensees as applicable, who have a legitimate business need to know and an obligation to maintain in confidence the Confidential Information of the disclosing Party. The disclosing Party is liable for any breach of the non-disclosure obligation of its consultants, advisors, Affiliates and Sublicensees as applicable.

8.3 Publication. PROTIVA and ALNYLAM each acknowledge the other Party's interest in publishing the results of the R&D Research Plan and the PLK Research Plan. Each Party also recognizes the mutual interest in obtaining valid patent protection and in protecting business interests and trade secret information. Consequently, except for disclosures permitted pursuant to Section 8.1 and 8.2, either Party, its Affiliates, or their respective employees or consultants wishing to make a publication or a disclosure to a Third Party relating to the R&D Research Plan, the PLK Research Plan or any Licensed Product of the other Party shall deliver to the other Party a copy of the proposed written publication or an outline of an oral disclosure at least thirty (30) days prior to submission for publication or presentation. The reviewing Party shall have the right (a) to propose modifications to the publication or presentation for patent reasons, trade secret reasons or business reasons, or (b) to request a reasonable delay in publication or presentation in order to protect patentable information. If the reviewing Party requests a delay, the publishing Party shall delay submission or presentation for a period of thirty (30) days to enable patent applications protecting each Party's rights in such information to be filed in accordance with Article VII above. Upon expiration of such thirty (30) days, the publishing Party shall be free to proceed with the publication or presentation. If the reviewing

Party requests modifications to the publication or presentation, the publishing Party shall edit such publication to prevent disclosure of trade secret or proprietary business information prior to submission of the publication or presentation. With respect to any proposed publications or disclosures by investigators or academic or non-profit collaborators, such materials shall be subject to review under this Section 8.3 to the extent that PROTIVA or ALNYLAM, as the case may be, has the right and ability (after using reasonable efforts) to do so. For the avoidance of doubt, subject to its obligations under Section 8.1, each Party may make publications and disclosures to Third Parties relating to its own Licensed Products outside of the R&D Research Plan without any obligation to permit the other Party to review or comment on such publication or disclosure.

8.4 Non-Solicitation. Until [**], neither ALNYLAM nor any of its Affiliates will knowingly offer to hire or hire any individual who is, at such time, an officer or employee of PROTIVA or any of its Affiliates, and who was, at any time in the preceding three (3) months, involved in (i) selecting the PROTIVA Development Targets, (ii) the Development and Commercialization of PROTIVA Development Products and/or (iii) conducting the R&D Research Plan or Second Target Research Plan or PLK Research Plan. For clarity, placing an advertisement in a newspaper, periodical or other publication of general availability, or other general recruitment activities not directed at a particular individual, do not constitute an "offer to hire."

ARTICLE IX – REPORTS, TAXES AND PAYMENTS

9.1 Terminology. For purposes of Articles II and III, the "Licensee" referred to in this Article IX shall be understood to be PROTIVA. For purposes of Article IV, the "Licensee" referred to in this Article IX shall be understood to be ALNYLAM.

9.2 Reports. As to each Royalty Quarter commencing with the Royalty Quarter during which the First Commercial Sale occurs, within thirty (30) days after the end of such Royalty Quarter (if the Licensee has not entered into an agreement with a Sublicensee) and within thirty (30) days after the receipt by the Licensee from a Sublicensee of such Sublicensee's report, as required by such Sublicensee's sublicense for each Royalty Quarter (if the Licensee has entered into an agreement with a Sublicensee), the Licensee will deliver to the other Party to this Agreement a written report showing, on a country-by-country basis, the Net Sales of Licensed Products calculated under GAAP and its royalty obligation for such quarter with respect to such Net Sales under this Agreement together with wire transfer of an amount equal to such royalty obligation. All Net Sales will be segmented in each such report according to sales by the Licensee and each Affiliate and Sublicensee, as well as on a product-by-product basis, including the rates of exchange used to convert Net Sales to United States Dollars from the currency in which such sales were made. For the purposes of this Agreement, the rates of exchange to be used for converting Net Sales to United States Dollars will be the simple average of the selling and buying rates of U.S. dollars published in *The Wall Street Journal East Coast Edition* for the last business day of the Royalty Quarter covered by the report.

9.3 Tax Withholding. The Licensee will use all reasonable and legal efforts to reduce tax withholding with respect to payments to be made to the other Party under this Agreement. Notwithstanding such efforts, if the Licensee concludes that tax withholdings under the laws of

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any country are required with respect to payments, the Licensee will make the full amount of the required payment to such other Party after any tax withholding. In any such case, the Licensee shall provide such other Party with a written explanation of such withholding and original receipts or other evidence reasonably desirable and sufficient to allow it to document such tax withholdings for purposes of claiming foreign tax credits and similar benefits. For purposes of clarity, any payment due in respect of fees set out in any of Articles II, III or IV of this Agreement will be paid in the full amount specified after any tax withholding, with the amount of any tax withholding associated with such payments to be paid by the Licensee to the appropriate government authority.

9.4 Payments. Unless otherwise agreed by the Parties, all payments required to be made under this Agreement will be made in United States Dollars via wire transfer to an account designated in advance by the receiving Party.

9.5 Audits.

(a) At any given point in time, the Licensee will have on file and will require its Affiliates and Sublicensees to have on file complete and accurate records for the last three (3) years of all Net Sales of Licensed Products. The other Party to this Agreement will have the right, once during each twelve (12) month period, to retain at its own expense an independent qualified certified public accountant reasonably acceptable to the Licensee to review such records solely for accuracy and for no other purpose upon reasonable notice and under a written obligation of confidentiality, during regular business hours. If the audit demonstrates that the payments owed under this Agreement have been understated, the Licensee will pay the balance to such other Party together with interest on such amounts from the date on which such payment obligation accrued at a rate equal to the then current 30-day United States dollar LIBOR rate plus two percent per annum. If the underpayment is greater than five percent of the amount owed, then the Licensee will reimburse such other Party for its reasonable out-of-pocket costs of the audit. If the audit demonstrates that the payments owed under this Agreement have been overstated, such other Party to this Agreement will credit the balance against the next payment due from the Licensee (without interest).

(b) PROTIVA shall require that the terms of any sublicense under its rights in this Agreement are fully in compliance with the terms and conditions of the in-licenses governing ALNYLAM's rights under the ALNYLAM Patent Rights identified on Exhibit B, including without limitation, all obligations with respect to maintenance of records and audit rights. ALNYLAM will provide PROTIVA in a timely manner with a true and complete copy (subject to redaction of financial and other information not material to ALNYLAM's ability to sublicense rights licensed thereunder to PROTIVA under this Agreement) of all such in-licenses.

ARTICLE X – INDEMNIFICATION AND INSURANCE

10.1 PROTIVA Indemnification. PROTIVA agrees to indemnify and hold harmless ALNYLAM and its Affiliates, and their respective agents, directors, officers and employees and their respective successors and assigns (the "ALNYLAM Indemnitees") from and against any and all losses, costs, damages, fees or expenses ("Losses") incurred by an ALNYLAM Indemnitee arising out of or in connection with any claim, suit, demand, investigation or

proceeding brought by a Third Party or a PROTIVA Affiliate based on (a) the development, use, manufacture, distribution or sale of any Licensed Product covered by ALNYLAM Patent Rights by PROTIVA or any of its Affiliates or Sublicensees, including, but not limited to, any claims made against ALNYLAM by Third Parties or a PROTIVA Affiliate alleging infringement, injury, damage, death or other consequence occurring to any person claimed to result, directly or indirectly, from the possession, use or consumption of, or treatment with, any Licensed Product covered by ALNYLAM Patent Rights, whether claimed by reason of breach of warranty, negligence, product defect or otherwise, and regardless of the form or forum in which any such claim is made, (b) any breach of any representation, warranty or covenant of PROTIVA in this Agreement, and (c) actions taken or omitted to be taken by PROTIVA or its Affiliates, subcontractors or Sublicensees, or the employees, agents or representatives of any of them in performing PROTIVA's obligations under this Agreement.

The above indemnification shall not apply to the extent that any Losses are due to a material breach of any of ALNYLAM's representations, warranties, covenants and/or obligations under this Agreement.

10.2 ALNYLAM Indemnification. ALNYLAM agrees to indemnify and hold harmless PROTIVA and its Affiliates, and their respective agents, directors, officers and employees and their respective successors and assigns (the "PROTIVA Indemnitees") from and against any and all Losses incurred by a PROTIVA Indemnitee arising out of or in connection with any claim, suit, demand, investigation or proceeding brought by a Third Party or an ALNYLAM Affiliate based on (a) the Development, use, manufacture, distribution or sale of any Licensed Product covered by PROTIVA Patent Rights by ALNYLAM or any of its Affiliates or Sublicensees, including, but not limited to, any claims made against PROTIVA by Third Parties or an ALNYLAM Affiliate alleging infringement, injury, damage, death or other consequence occurring to any person claimed to result, directly or indirectly, from the possession, use or consumption of, or treatment with, any Licensed Product covered by PROTIVA Patent Rights, whether claimed by reason of breach of warranty, negligence, product defect or otherwise, and regardless of the form or forum in which any such claim is made, (b) any breach of any representation, warranty or covenant of ALNYLAM in this Agreement or any Other Agreement, and (c) actions taken or omitted to be taken by ALNYLAM or its Affiliates, subcontractors or Sublicensees, or the employees, agents or representatives of any of them in performing ALNYLAM's obligations under this Agreement.

The above indemnification shall not apply to the extent that any Losses are due to a material breach of any of PROTIVA's representations, warranties, covenants and/or obligations under this Agreement.

10.3 Tender of Defense; Counsel. The obligation to indemnify pursuant to this Article shall be contingent upon timely notification by the indemnitee to the indemnitor of any claims, suits or service of process; the tender by the indemnitee to the indemnitor of full control over the conduct and disposition of any claim, demand or suit; and reasonable cooperation by the indemnitee in the defense of the claim, demand or suit. No indemnitor will be bound by or liable with respect to any settlement or admission entered or made by any indemnitee without the prior written consent of the indemnitor. The indemnitee will have the right to retain its own counsel to participate in its defense in any proceeding hereunder. The indemnitee shall pay for its own

counsel except to the extent it is determined that (i) one or more legal defenses may be available to it which are different from or additional to those available to the indemnitor, or (ii) representation of both Parties by the same counsel would be inappropriate due to actual or potential differing interests between them. In any such case and to such extent, the indemnitor shall be responsible to pay for the reasonable costs and expenses of the separate counsel retained to participate in the defense of the indemnitee, provided that such expenses are otherwise among those covered by the indemnitor's indemnity agreement hereunder. Notwithstanding the foregoing, if the indemnitor believes that any of the exceptions to its obligation of indemnification of the indemnitee set forth in Sections 10.1 or 10.2 may apply, the indemnitor shall promptly notify the indemnitee, which shall then have the right to be represented in any such action or proceeding by separate counsel at their expense; provided, that the indemnitor shall be responsible for payment of such expenses if the indemnitee is ultimately determined to be entitled to indemnification from the indemnitor.

10.4 PROTIVA Insurance. With respect to its activities under this Agreement, PROTIVA will secure and maintain in full force and effect throughout the PLK Term and the term of the license set out in Section 3.4, as the case may be (and for at least six (6) years thereafter for claims-made coverage), the following types and amounts of insurance coverage with carriers having a minimum AM Best rating of A, with per claim deductibles that do not exceed [**]:

Comprehensive General Liability and Personal Injury, including coverage for contractual liability assumed by PROTIVA and coverage for PROTIVA independent contractor(s), with limits of at least [**] per occurrence and a general aggregate limit of [**].

Prior to, at, and following the dosing of the first patient in a Phase I Clinical Trial of any Licensed Product by PROTIVA or its Affiliates or Sublicensees, Umbrella Liability, exclusive of the coverage provided by the policies listed above, with a limit of at least [**].

Prior to, at, and following the First Commercial Sale of any Licensed Product by PROTIVA or its Affiliates or Sublicensees, Products/Clinical/Professional Liability, exclusive of the coverage provided by the Comprehensive General Liability policy, with limits of at least [**] per occurrence and an aggregate limit of at least [**], with ALNYLAM to be named as an additional insured party with respect to each RNAi Product or miRNA Product under such coverage.

10.5 ALNYLAM Insurance. With respect to its activities under this Agreement, ALNYLAM will secure and maintain in full force and effect throughout the term of the license set out in Section 4.3 (and for at least six (6) years thereafter for claims-made coverage), the following types and amounts of insurance coverage with carriers having a minimum AM Best rating of A, with per claim deductibles that do not exceed [**]:

Comprehensive General Liability and Personal Injury, including coverage for contractual liability assumed by ALNYLAM and coverage for ALNYLAM independent contractor(s), with limits of at least [**] per occurrence and a general aggregate limit of [**].

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Prior to, at, and following the dosing of the first patient in a Phase I Clinical Trial of any Licensed Product by ALNYLAM or its Affiliates or Sublicensees, Umbrella Liability, exclusive of the coverage provided by the policies listed above, with a limit of at least [**].

Prior to, at, and following the First Commercial Sale of any Licensed Product by ALNYLAM or its Affiliates or Sublicensees, Products/Clinical Liability, exclusive of the coverage provided by the Comprehensive General Liability policy, with limits of at least [**] per occurrence and an aggregate limit of at least [**], with PROTIVA to be named as an additional insured party with respect to each Licensed Product under such coverage.

ARTICLE XI – EXPORT

11.1 General. The Parties acknowledge that the exportation from the United States of materials, products and related technical data (and the re-export from elsewhere of United States origin items) may be subject to compliance with United States export laws, including without limitation the United States Bureau of Export Administration's Export Administration Regulations, the Act and regulations of the FDA issued thereunder, and the United States Department of State's International Traffic and Arms Regulations which restrict export, re-export, and release of materials, products and their related technical data, and the direct products of such technical data. The Parties agree, under this Agreement, to comply with all applicable exports laws and to commit no act that, directly or indirectly, would violate any United States law, regulation, or treaty, or any other international treaty or agreement, relating to the export, re-export, or release of any materials, products or their related technical data to which the United States adheres or with which the United States complies.

11.2 Delays. The Parties acknowledge that they cannot be responsible for any delays attributable to export controls which are beyond the reasonable control of either Party.

11.3 Assistance. The Parties agree to provide assistance to one another in connection with each Party's efforts to fulfill its obligations under this Article XI.

ARTICLE XII – EFFECTIVE DATE, TERM AND TERMINATION

12.1 Effective Date; Term; Expiration. The "Effective Date" shall be the date upon which this Agreement and the ALNYLAM-TEKMIRA License Agreement are released from escrow and delivered to the appropriate parties in accordance with the terms of the Escrow Agreement. Unless and until the foregoing condition is met, the Original Cross-License Agreement shall remain in full force and effect and the terms and conditions of the Original Cross-License Agreement shall govern the Parties without any regard being given to this Agreement or its terms and conditions. On and as of the Effective Date, this Agreement will supersede and replace the Original Cross-License Agreement and, unless terminated earlier as provided herein, the licenses granted under this Agreement will expire at the end of the periods described in Section 2.12, 3.4 or 4.3, as applicable to each of such licenses.

12.2 Material Breach.

(a) ALNYLAM, as the licensor under Articles II and III, will have the right to terminate the licenses granted under such Articles, upon written notice to PROTIVA, in the event

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PROTIVA materially breaches its obligations under this Agreement related to the license granted under Articles II or III and does not remedy such breach within ninety (90) days after receipt of written notice from ALNYLAM specifically identifying the breach and stating that ALNYLAM intends to terminate such licenses if PROTIVA fails to remedy the breach within the ninety (90)-day time period; provided, however, that if PROTIVA disputes in good faith that the claimed breach exists, such 90-day period will not start to run until such dispute has been resolved or can no longer be maintained in good faith.

(b) PROTIVA, as the licensor under Article IV, will have the right to terminate the licenses granted under such Article, upon written notice to ALNYLAM, in the event ALNYLAM materially breaches its obligations under this Agreement related to the license granted under Article IV and does not remedy such breach within ninety (90) days after receipt of written notice from PROTIVA specifically identifying the breach and stating that PROTIVA intends to terminate such licenses if ALNYLAM fails to remedy the breach within the ninety (90)-day time period; provided, however, that if ALNYLAM disputes in good faith that the claimed breach exists, such 90-day period will not start to run until such dispute has been resolved or can no longer be maintained in good faith.

(c) In the event that ALNYLAM materially breaches its obligations under this Agreement as referenced below, and does not remedy such breach within ninety (90) days after receipt of written notice from PROTIVA specifically identifying the breach, PROTIVA will, in addition to its rights under Section 12.2(b), have the following rights: (i) if ALNYLAM's material breach is in respect of its obligations arising under Articles II or III of this Agreement, PROTIVA may (A) suspend any obligation to make payments to ALNYLAM due under Articles II or III of this Agreement until such time as the breach is cured and (B) suspend the performance of its obligations under the PLK Research Plan; and/or (C) terminate its obligations under the PLK Research Plan; or (ii) if ALNYLAM's material breach is in respect of its obligations arising under Articles IV or V of this Agreement, PROTIVA may (A) suspend the performance of its obligations under the R&D Research Plan; and/or (B) terminate its obligations under the R&D Research Plan; provided, however, that if ALNYLAM disputes in good faith that the claimed breach exists, PROTIVA will not exercise its right of termination under clauses (i)(C) or (ii)(B) above until such dispute has been resolved or can no longer be maintained in good faith. Within sixty (60) days after cure of the breach, PROTIVA will pay to ALNYLAM all amounts previously due, but not paid as a result of any suspension of payments.

(d) In the event that PROTIVA materially breaches its obligations under this Agreement as described below, and does not remedy such breach within ninety (90) days after receipt of written notice from ALNYLAM specifically identifying the breach, ALNYLAM will, in addition to its rights under Section 12.2(a), have the following rights: (i) if PROTIVA's material breach is in respect of its obligations arising under Articles IV or V of this Agreement, ALNYLAM may suspend any obligation to make payments to PROTIVA due under Articles IV and V of this Agreement until such time as the breach is cured; and/or (ii) if PROTIVA's material breach is in respect of its obligations under Articles II or III, ALNYLAM suspend its obligations under Section 3.2 with respect to Targets proposed by PROTIVA. Within sixty (60) days after cure of the breach, ALNYLAM will pay to PROTIVA all amounts previously due, but not paid as a result of any suspension of payments.

(e) In the event that TEKMIRA is in breach of any of its material obligations under any "Transaction Document" (defined below) to which it is a party (other than the Supply Agreement or any Quality Agreement (as such terms are defined in the ALNYLAM-TEKMIRA License Agreement)), by causes and reasons within the control of TEKMIRA, and if the breach is capable of being cured, TEKMIRA has not cured such breach within the period provided for cure under the applicable Transaction Document or, if greater, ninety (90) days after receiving notice of such breach from the non-breaching Party, and if, and to the extent that ALNYLAM exercises its rights to terminate any licenses under the ALNYLAM-TEKMIRA License Agreement with respect to Exclusively Licensed Tekmira IP, then ALNYLAM may, in its sole discretion, also and concurrently (and to the same extent, e.g., with respect to the same "Region" as defined in the ALNYLAM-TEKMIRA License Agreement) terminate the licenses under this Agreement to PROTIVA with respect to Exclusively Licensed Tekmira IP; provided, however, that, in the event of a good faith dispute with respect to the existence of a material breach, the applicable cure period shall be tolled until such time as the dispute is resolved pursuant to the dispute resolution provisions of the applicable Transaction Document, or in the absence of any dispute resolution provisions in the applicable Transaction Document, Section 12.6 of the ALNYLAM-TEKMIRA License Agreement. "Transaction Documents" means the ALNYLAM Subscription Agreement, the ALNYLAM-TEKMIRA License Agreement, the Tekmira-UBC License Agreement, the UBC Sublicense Documents, the Loan Agreement (all as defined in the ALNYLAM-TEKMIRA License Agreement), all letter agreements and other documents executed by TEKMIRA in connection with the Original ALNYLAM-TEKMIRA License Agreement and any other documents or agreements that are executed by the Parties and/or TEKMIRA after the Original Effective Date as contemplated by this Agreement or the ALNYLAM-TEKMIRA License Agreement.

12.3 Challenges of ALNYLAM Patent Rights. In the event that PROTIVA, TEKMIRA or any of their Affiliates shall (a) commence or participate in any action or proceeding (including, without limitation, any patent opposition or re-examination proceeding), or otherwise assert in writing any claim, challenging or denying the validity of any of the ALNYLAM Patent Rights licensed hereunder, or any claim thereof or (b) actively assist any other person or entity in bringing or prosecuting any action or proceeding (including, without limitation, any patent opposition or re-examination proceeding) challenging or denying the validity of any of such ALNYLAM Patent Rights or any claim thereof, ALNYLAM will have the right to give notice to PROTIVA (which notice must be given, if at all, within sixty (60) days after ALNYLAM first learns of the foregoing) that the licenses granted by ALNYLAM to such ALNYLAM Patent Right will terminate in thirty (30) days following such notice, and, unless PROTIVA or TEKMIRA withdraws or causes to be withdrawn all such challenge(s) within such thirty-day period, such licenses will so terminate.

12.4 Challenges of PROTIVA Patent Rights. In the event that ALNYLAM or any of its Affiliates shall (a) commence or participate in any action or proceeding (including, without limitation, any patent opposition or re-examination proceeding), or otherwise assert in writing any claim, challenging or denying the validity of any of the PROTIVA Patent Rights or any claim thereof or (b) actively assist any other person or entity in bringing or prosecuting any action or proceeding (including, without limitation, any patent opposition or re-examination proceeding) challenging or denying the validity of any of such PROTIVA Patent Rights or any claim thereof, PROTIVA will have the right to give notice to ALNYLAM (which notice must be

given, if at all, within sixty (60) days after PROTIVA first learns of the foregoing) that ALNYLAM's license under Class 1 PROTIVA Patent Rights and/or the license under Class 2 PROTIVA Patent Rights will terminate in thirty (30) days following such notice, and, unless ALNYLAM withdraws or causes to be withdrawn all such challenge(s) within such thirty-day period, such licenses will so terminate.

12.5 Consequences of Termination; Survival.

(a) In the event of termination by ALNYLAM under Section 12.2(a) above, all licenses and rights granted by ALNYLAM to PROTIVA under Article II and III and Section 5.6 of this Agreement will terminate; provided, however, that to the extent such licenses and rights are required in respect of clinical trials that are ongoing and cannot reasonably be terminated promptly due to health or safety reasons or the requirements of applicable law, such licenses and rights will continue in effect until such clinical trials are properly terminated. Moreover, any breach of the restrictions in Section 5.6(d) which PROTIVA fails to cure within ninety (90) days after receipt of written notice from ALNYLAM specifically identifying the breach, shall result in the termination of PROTIVA's license under such Section to the Alnylam Data, but it shall not, by itself, result in the termination of any other licenses to PROTIVA under this Agreement unless ALNYLAM meets the burden of demonstrating that such breach has had or is reasonably likely to have a material adverse effect on the benefits, taken as a whole, that ALNYLAM reasonably anticipates it will obtain from this Agreement and the ALNYLAM-TEKMIRA License Agreement and the activities and grants contemplated under such agreements.

(b) In the event of termination by PROTIVA under Section 12.2(b) above, all licenses and rights granted by PROTIVA to ALNYLAM under Article IV of this Agreement will terminate; provided, however, that to the extent such licenses and rights are required in respect of clinical trials that are ongoing and cannot reasonably be terminated promptly due to health or safety reasons or the requirements of applicable law, such licenses and rights will continue in effect until such clinical trials are properly terminated.

(c) Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such expiration or termination. Any expiration or termination of this Agreement shall be without prejudice to the rights of either Party against the other accrued or accruing under this Agreement prior to expiration or termination, including without limitation the obligation to pay royalties for Licensed Product sold prior to such expiration or termination. The provisions of Article VIII shall survive the expiration or termination of this Agreement. In addition, to the extent applicable under their terms, the provisions of Sections 4.14, 5.6(b), 5.6(d) (subject to the provisions of Section 12.2(a)), 7.1, 7.3, 7.4, 7.7, 11.1, and 13.4, and Articles I, IX, X, XII, and XIV shall survive any expiration or termination of this Agreement.

12.6 License upon Termination.

(a) Upon any termination of this Agreement, ALNYLAM shall enter into an agreement containing substantially the same provisions as this Agreement with any Sublicensees of PROTIVA existing at the time of such termination, covering the RNAi Products that had been licensed to such Sublicensee by PROTIVA in compliance with this Agreement, provided that at the time of any termination of this Agreement, such Sublicensees are in full compliance with the

terms and conditions of the sublicense agreement. ALNYLAM acknowledges that such Sublicensees of PROTIVA that are then in full compliance with the terms and conditions of their respective sublicense agreement are third party beneficiaries of this Agreement, including this Section 12.6(a).

(b) Upon any termination of this Agreement, PROTIVA shall enter into an agreement containing substantially the same provisions as this Agreement with any Sublicensees of ALNYLAM existing at the time of such termination, covering the RNAi Products and miRNA Products that had been licensed to such Sublicensee by ALNYLAM in compliance with this Agreement, provided that at the time of any termination of this Agreement, such Sublicensees are in full compliance with the terms and conditions of the sublicense agreement. PROTIVA acknowledges that such Sublicensees of ALNYLAM that are then in full compliance with the terms and conditions of their respective sublicense agreement are third party beneficiaries of this Agreement, including this Section 12.6(b).

ARTICLE XIII – SEPARATE CONDUCT OF CERTAIN PROTIVA AND TEKMIRA ACTIVITIES

13.1 Separate Conduct. Immediately upon the effective date of the Purchase Agreement and through [**] (the "Restriction Period"), PROTIVA has taken and will take all steps necessary to ensure, to the maximum extent practicable, that there was and is no collaboration between, or joint inventive work conducted by, PROTIVA and TEKMIRA under the Second Target Research Plan or under the PLK Research Plan or the R&D Research Plan, or under the Research Plan or Manufacturing Plan (as each such term is defined in the ALNYLAM-TEKMIRA License Agreement), or any activities contemplated thereunder, with the goal of [**]. Such steps shall include, without limitation, the requirement that during the Restriction Period, PROTIVA has maintained and shall maintain research and manufacturing operations that are separate from the research and manufacturing operations of TEKMIRA for all activities under the Research Plan, the Manufacturing Plan (as each such term is defined in the ALNYLAM-TEKMIRA License Agreement), the Second Target Research Plan, the PLK Research Plan and the R&D Research Plan, and has ensured and shall ensure that the PROTIVA personnel who work on the Second Target Research Plan or the PLK Research Plan or the R&D Research Plan did not and do not undertake research activities with or for TEKMIRA under the Research Plan or the Manufacturing Plan.

13.2 Common Management; TEKMIRA Facilities Option. Notwithstanding the requirements of Section 13.1, during the Restriction Period (a) PROTIVA and TEKMIRA may (i) have common management in the form of one person who serves as CEO of both companies, (ii) have interlocking boards of directors, and (iii) share with each other or loan to each other specific items of equipment and/or other tangible and intangible assets (but not human resources, other than administrative personnel not involved in Research or Development activities); and (b) PROTIVA may use TEKMIRA's physical facilities solely to manufacture (x) at ALNYLAM's sole discretion, a product formulation developed by PROTIVA for ALNYLAM under this Agreement; or (y) upon mutual written agreement of ALNYLAM, TEKMIRA and PROTIVA, an RNAi Product directed to the PLK Target ("TEKMIRA Facilities Option").

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13.3 Notification. During the period from the Effective Date through December 31, 2008, PROTIVA shall notify ALNYLAM in writing within thirty (30) days after conception of any intellectual property conceived by PROTIVA or TEKMIRA (or their employees or consultants) on or prior to [**], with respect to which ALNYLAM has a license under this Agreement, the ALNYLAM-TEKMIRA License Agreement or the UBC Sublicense (as defined in the ALNYLAM-TEKMIRA License Agreement), it being understood that such notice as to the period from the end of the Restriction Period through [**] will be for informational purposes only.

13.4 Violations, Penalties. In the event that any joint invention is made (i) by inventor(s) who are employees or consultants of PROTIVA and inventor(s) who are employees or consultants of TEKMIRA during the Restriction Period, (ii) due to or in respect of the conduct of PROTIVA and/or TEKMIRA during the Restriction Period and (iii) without any inventive contribution from ALNYLAM or communication by or through ALNYLAM of any information or materials from TEKMIRA or PROTIVA to the other in a manner that is material to the determination of inventorship (any such joint invention is hereinafter referred to as a "Restricted Joint Invention"), with the result that any rights to such Restricted Joint Invention are licensed to [**] under the [**] as they existed on the Effective Date), then, except and solely to the extent that any such Restricted Joint Invention arises from manufacturing performed by PROTIVA at a TEKMIRA facility as a result of the exercise of the Tekmira Facilities Option:

(a) PROTIVA shall pay to ALNYLAM any and all royalties and milestone payments received from [**] under the [**] with respect to the development or commercialization of any product as to which the [**] owed such royalties or milestones due to the coverage of such product by any claims (whether issued or pending) covering such Restricted Joint Invention (or that would have been so received from [**] under the terms of the [**] as they existed on the Effective Date);

(b) ALNYLAM shall have a fully-paid, perpetual, milestone-free, royalty-free, and exclusive (except as to the [**] rights under the [**]) license to PROTIVA's right, title and interest in the Restricted Joint Invention; and

(c) any and all royalties required to be paid by ALNYLAM to PROTIVA under this Agreement with respect to ALNYLAM Development Products that are Licensed Products the identification, characterization, validation, synthesis, development, use, formulation, manufacture, production or sale of which, where and when occurring, would, but for the grant of a license or sublicense from Tekmira, infringe a Valid Claim of the Exclusively Licensed Tekmira IP shall be reduced by fifty percent (50%).

***Confidential Treatment Requested.**

ARTICLE XIV – MISCELLANEOUS

14.1 Representations and Warranties.

(a) Mutual Representations and Warranties by PROTIVA and ALNYLAM.

(i) Each Party hereby represents and warrants to the other Party as of the Effective Date:

(1) It is a corporation duly organized under the laws of the state of its incorporation, and has all necessary power and authority to conduct its business in the manner in which it is currently being conducted, to own and use its assets in the manner in which its assets are currently owned and used, and to enter into and perform its obligations under this Agreement.

(2) The execution, delivery and performance of this Agreement has been duly authorized by all necessary action on the part of such Party and its Board of Directors and no consent, approval, order or authorization of, or registration, declaration or filing with any Third Party or governmental authority is necessary for the execution, delivery or performance of this Agreement.

(3) This Agreement constitutes the legal, valid and binding obligation of such Party, enforceable against it in accordance with its terms, subject to (A) laws of general application relating to bankruptcy, insolvency and the relief of debtors, and (B) rules of law governing specific performance, injunctive relief and other equitable remedies.

(4) Neither it nor any of its Affiliates has been found in breach of any laws or regulations governing the production of medicinal products in the United States or any other jurisdiction within the Territory.

(5) Neither it nor any of its Affiliates or employees has been debarred (nor is it or any of its Affiliates or employees using in any capacity in connection with its activities under this Agreement any person who has been debarred) by the FDA from working for or providing services to any pharmaceutical or biotechnology company under Section 306 of the United States Food, Drug and Cosmetic Act. Each Party agrees to inform the other Party in writing immediately if it or any person that is performing activities under this Agreement is debarred or is the subject of a conviction described in Section 306, or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to the best of the notifying Party's knowledge, is threatened, relating to the debarment or conviction of the notifying Party or any person or entity used in any capacity by such Party or any of its Affiliates.

(6) It has never approved or commenced any proceeding, or made any election contemplating, the winding up or cessation of its business or affairs or the assignment of material assets for the benefit of creditors. To such Party's knowledge, no such proceeding is pending or threatened.

(ii) Each Party will notify the other Party promptly in writing if any proceeding described in Section 14.1(a)(i)(6) is approved, commenced or, to such Party's knowledge, becomes pending or threatened, against it. Each Party will promptly provide copies to the other Party of all documents filed with the court with respect to such proceedings and will consult with such other Party in a timely manner concerning the progress and/or disposition of such proceedings.

(iii) Each Party acknowledges and agrees that the other Party has not made any representation or warranty that it has or can provide all the rights that are necessary or useful to Research, Develop or Commercialize (as applicable) an RNAi Product (and/or miRNA Product in the case of ALNYLAM).

(iv) Each Party represents and warrants to the other Party that as of the Effective Date it has the right to grant to such other Party, its Affiliates and Sublicensees the licenses granted hereunder and has not granted any conflicting rights to any other person or entity. Each Party shall maintain any applicable in-licenses in effect and shall not amend any such in-licenses in a manner that is detrimental to the rights of the other Party under this Agreement without the prior written consent of such other Party.

(b) ALNYLAM Representations and Warranties. ALNYLAM hereby represents and warrants to PROTIVA that:

(i) except for the Exclusively Licensed Tekmira IP, as to which ALNYLAM makes no representations or warranties, to ALNYLAM's knowledge, the conception, development and reduction to practice of the ALNYLAM Patent Rights licensed to PROTIVA under this Agreement did not constitute or involve the misappropriation of trade secrets or other rights or property of any person or entity; and

(ii) except as set forth in Appendix V, it has not assigned, transferred, conveyed or otherwise encumbered its right, title and interest in the ALNYLAM Patent Rights in a manner that conflicts with any rights granted to PROTIVA hereunder.

(c) PROTIVA Representations and Warranties. PROTIVA hereby represents and warrants to PROTIVA that:

(i) the patents and patent applications listed on Appendices A-2 and A-3 are all the PROTIVA Patent Rights existing on the Effective Date, and include, without limitation, all the patent rights licensed by PROTIVA to the [**]. To PROTIVA's knowledge, the conception, development and reduction to practice of the PROTIVA Patent Rights and Know-How licensed to ALNYLAM under this Agreement do not constitute or involve the misappropriation of trade secrets or other rights or property of any person or entity;

(ii) except as set forth herein this Agreement, it has not assigned, transferred, conveyed or otherwise encumbered its right, title and interest in the PROTIVA Patent Rights in a manner that conflicts with any rights granted to ALNYLAM hereunder; and

(iii) the [**] does not provide that any payments, other than milestone and royalty payments, will be owed or would be owed by the [**] to PROTIVA or its Affiliates with respect to the development or commercialization of any product due to the coverage of such product by any claims (whether issued or pending) covering any Restricted Joint Invention.

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(d) Warranty Disclaimer. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATION OR EXTENDS ANY WARRANTY OR CONDITIONS OF ANY KIND, EITHER EXPRESS OR IMPLIED, TO THE OTHER PARTY WITH RESPECT TO ANY INTELLECTUAL PROPERTY, LICENSED PRODUCTS, GOODS, THE COLLABORATION, RIGHTS OR OTHER SUBJECT MATTER OF THIS AGREEMENT AND HEREBY DISCLAIMS ALL IMPLIED CONDITIONS, REPRESENTATIONS, AND WARRANTIES, INCLUDING WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT OR VALIDITY OF PATENT RIGHTS WITH RESPECT TO ANY AND ALL OF THE FOREGOING. EACH PARTY HEREBY DISCLAIMS ANY REPRESENTATION OR WARRANTY THAT THE DEVELOPMENT, MANUFACTURE OR COMMERCIALIZATION OF ANY LICENSED PRODUCT PURSUANT TO THIS AGREEMENT WILL BE SUCCESSFUL OR THAT ANY PARTICULAR SALES LEVEL WITH RESPECT TO SUCH LICENSED PRODUCTS WILL BE ACHIEVED.

14.2 Dispute Resolution; Arbitration Procedures.

(a) In the event of any dispute, controversy or claim arising out of or relating to this Agreement, or the breach thereof, the Parties will try to settle such dispute, controversy or claim amicably between themselves, including referring such dispute, controversy or claim to the Chief Operating Officer of ALNYLAM or his designee, and the Chief Executive Officer of PROTIVA, or any other officer designated by such Chief Executive Officer. In the event that after forty-five (45) days the designated officers of both Parties fail to resolve the matter, either Party may submit such dispute, controversy or claim that is not an “Excluded Claim” for resolution by binding arbitration under the Rules of Arbitration of the International Chamber of Commerce. Judgment on the arbitration award may be entered in any court of competent jurisdiction. The arbitration will be conducted in New York, New York and the language of all communications and proceedings relating to the arbitration will be English.

(b) The arbitration shall be conducted by a panel of three persons experienced in the pharmaceutical business. Within thirty (30) days after initiation of arbitration, each Party shall select one person to act as arbitrator and the two Party-selected arbitrators shall select a third arbitrator within thirty (30) days of their appointment. If the arbitrators selected by the Parties are unable or fail to agree upon the third arbitrator, the Parties shall select two replacement arbitrators to replace the arbitrators originally selected, which replacement arbitrators shall select a third arbitrator within thirty (30) days of their appointment. The Parties agree (a) to meet with the arbitrator(s) within thirty (30) days of selection and (b) to agree at that meeting or before upon procedures for discovery and as to the conduct of the hearing which will result in the hearing being concluded within no more than six (6) months after selection of the arbitrator(s) and in the award being rendered within thirty (30) days of any post-hearing briefing, which briefing will be completed by both sides within thirty (30) days after the conclusion of the hearings, or within sixty (60) days of the conclusion of the hearings if there is no post-hearing briefing. In the event the Parties cannot agree upon procedures for discovery as set forth in (a) above, the arbitrator(s) shall provide that discovery be limited so that the schedule may be met without difficulty and so that neither side obtains more than a total of twenty-five (25) hours of deposition testimony from all witnesses, including both fact and expert witnesses, or serves more

than ten (10) individual requests for documents or ten (10) individual requests for admission or interrogatories. In no event will the arbitrator(s), absent agreement of the Parties, allow more than three (3) days per side for the hearing or more than a total of six (6) days for the hearing. Multiple hearing days will be scheduled consecutively to the greatest extent possible.

(c) Either Party may apply to the arbitrators for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of that Party pending the arbitration award. The arbitrators shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages. Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrators' fees and any administrative fees of arbitration.

(d) Except to the extent necessary to confirm an award or as may be required by law, neither a Party nor an arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable New York statute of limitations.

(e) The Parties agree that, in the event of a dispute over the nature or quality of performance under this Agreement, neither Party may terminate this Agreement until final resolution of the dispute through arbitration or other judicial determination. The Parties further agree that any payments made pursuant to this Agreement pending resolution of the dispute shall be refunded if an arbitrator or court determines that such payments are not due.

(f) As used in this Section 14.2, the term "Excluded Claim" shall mean a dispute, controversy or claim that concerns (a) the validity or infringement of a patent, trade secret, trademark or copyright; or (b) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory. Excluded Claims shall be resolved in a court of competent jurisdiction.

14.3 Publicity. No disclosure of the existence of, or the terms of, this Agreement may be made by either Party or its Affiliates, and no Party or its Affiliate shall use the name, trademark, trade name or logo of the other Party or its employees in any publicity, news release or disclosure relating to this Agreement or its subject matter, without the prior express written permission of the other Party, except as may be required by law or as set forth in this Section 14.3. The Parties expect that upon the Effective Date of this Agreement TEKMIRA will, and ALNYLAM may, issue separate press releases publicizing the execution of this Agreement and the ALNYLAM-TEKMIRA License Agreement, and that prior to the execution of this Agreement, ALNYLAM and TEKMIRA shall agree in writing upon any such press releases. The Parties agree to consult with each other reasonably and in good faith with respect to the text and timing of any proposed press releases prior to the issuance thereof. Either Party may issue such press releases or otherwise make such public statements or disclosures (such as in annual reports to stockholders or filings with the Securities and Exchange Commission) as it determines, based on advice of counsel and with reasonable prior written notice to the other Party, are reasonably necessary to comply with applicable laws and regulations. In addition, following any press release(s) announcing this Agreement or the Original Cross-License Agreement or any other

public disclosure approved by both Parties, either Party shall be free to disclose, without the other Party's prior written consent, the existence of this Agreement, the identity of the other Party and those terms of the Agreement which have already been publicly disclosed in accordance herewith.

14.4 Force Majeure. No failure or omission by the Parties in the performance of any obligation of this Agreement will be deemed a breach of this Agreement or create any liability if the same will arise from any cause or causes beyond the control of the Parties, including, but not limited to, the following: acts of God; acts or omissions of any government; any rules, regulations or orders issued by any governmental authority or by any officer, department, agency or instrumentality thereof; fire; flood; storm; earthquake; accident; war; rebellion; insurrection; riot; and invasion. The affected Party shall notify the other Party of such force majeure circumstances as soon as reasonably practical, and shall promptly undertake all reasonable efforts necessary to cure such force majeure circumstances.

14.5 Consequential Damages. NEITHER PARTY (INCLUDING ITS AFFILIATES AND SUBLICENSEES) SHALL BE LIABLE UNDER THIS AGREEMENT FOR ANY SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES OR FOR LOSS OF PROFIT OR LOST REVENUE, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS SECTION 14.5 IS INTENDED TO OR SHALL LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OF A PARTY OR DAMAGES AVAILABLE FOR A PARTY'S BREACH OF CONFIDENTIALITY OR NON-SOLICITATION OBLIGATIONS IN SECTION 8.3.

14.6 Assignment. (a) This Agreement, and any of its rights and obligations, may not be assigned or otherwise transferred by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld, delayed or conditioned; provided, however, that subject to Section 14.7, either Party may assign this entire Agreement, without the consent of the other Party, to an Affiliate or in connection with such Party's merger, consolidation or transfer or sale of all or substantially all of the assets of such Party; and provided further that the successor, surviving entity, purchaser of assets, or transferee, as applicable, expressly assumes in writing such Party's obligations under this Agreement, if any. Notwithstanding the foregoing, PROTIVA may not assign (i) this Agreement or its rights and obligations hereunder to TEKMIRA without ALNYLAM's prior written consent, except that PROTIVA may, upon prior written notice to ALNYLAM, transfer or assign its rights and obligations with respect to any PROTIVA Development Targets, any PROTIVA Development Products and /or any Licensed Products for the PLK Target (subject to the terms and conditions of Article II) to TEKMIRA; provided that, (x) any such transfer shall be subject in all respects to the [**] Restriction and the terms of Article XIII, and (y) TEKMIRA expressly assumes in writing PROTIVA's obligations with respect to such PROTIVA Development Target(s), PROTIVA Development Product(s) and/or Licensed Product(s) for the PLK Target; or (ii) its rights under this Agreement to perform the PLK Research Plan or the R&D Research Plan to any PROTIVA Affiliate of which [**] or more of the outstanding voting securities are owned, controlled or held by a pharmaceutical company, biotechnology company, or group of such companies acting in concert, with annual sales of human pharmaceutical products greater than [**] of control of the management and policies of PROTIVA ("Significant Pharmaceutical Company") or by any investment entity affiliated with any such Significant Pharmaceutical Company.

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(b) Any purported transfer or assignment in contravention of this Section 14.6 shall, at the option of the non-assigning Party, be null and void and of no effect.

(c) This Agreement will be binding upon and inure to the benefit of the Parties and their permitted successors and assigns.

(d) The above notwithstanding: (i) PROTIVA agrees not to assign or transfer this Agreement to any Third Party who is not also the assignee or transferee of all ownership rights in the Class 1 PROTIVA Patent Rights and the Class 2 PROTIVA Patent Rights or otherwise in a manner that would be inconsistent with ALNYLAM's rights under this Agreement; and (ii) ALNYLAM agrees not to assign this Agreement to any Third Party who is not also the assignee or transferee of all ownership rights in the ALNYLAM Patent Rights or otherwise in a manner that would be inconsistent with PROTIVA's rights under this Agreement.

14.7 License, Provision of Information and other Rights Upon Material Breach, Bankruptcy or Change of Control. In the event PROTIVA materially breaches its obligations under Article V of this Agreement and does not remedy such breach within ninety (90) days after receipt of written notice from ALNYLAM specifically identifying the breach, or in the event a proceeding is initiated with respect to PROTIVA's insolvency, bankruptcy reorganization, liquidation or receivership, that is not withdrawn within sixty (60) days or upon an assignment of a substantial portion of the assets for the benefit of creditors by PROTIVA or upon any "Change of Control" of PROTIVA, (i) the licenses granted to ALNYLAM under this Agreement will remain in full force and effect in accordance with their terms; and (ii) PROTIVA will promptly provide to ALNYLAM all then-existing Licensed Information with respect to all Formulations identified or developed under this Agreement, to the extent such Licensed Information has not previously been provided to ALNYLAM and (iii) the conduct of activities in respect of the PLK Research Plan and R&D Research Plan, including funding from ALNYLAM, will be terminated immediately at ALNYLAM's discretion.

For purposes of this Section 14.7, "Change of Control" means a Change of Control under and as defined in the ALNYLAM-TEKMIRA License Agreement, or any other transaction, or series of related transactions, whereby (a) PROTIVA merges, reorganizes, amalgamates or consolidates with another entity, and the shareholders of PROTIVA owning at least fifty percent (50%) of the outstanding voting securities of PROTIVA immediately prior to such transaction(s) own less than fifty percent (50%) of the outstanding voting securities of PROTIVA or the surviving entity as a result of such transaction(s); (b) PROTIVA sells, transfers or otherwise disposes of all or substantially all of its assets to which this Agreement relates; or (c) PROTIVA issues securities to any Third Party, TEKMIRA sells, transfers or otherwise disposes of any PROTIVA securities, or PROTIVA permits or otherwise consents to the sale, transfer or other disposition of any PROTIVA securities, if and only if, in any of these circumstances, such transaction or series of transactions results in a new Affiliate of PROTIVA; provided, however, that (i) the merger, reorganization, amalgamation or consolidation of PROTIVA with TEKMIRA after the end of the Restriction Period, and (ii) the sale or transfer of all or substantially all of the assets to which this Agreement relates to TEKMIRA after the end the Restriction Period, shall not be deemed a

Change of Control for purposes of this Section 14.7. ALNYLAM acknowledges and agrees that the transactions under the Purchase Agreement will not constitute a "Change of Control" under either the Original Cross-License Agreement or this Agreement. Upon (1) PROTIVA receiving or otherwise becoming aware of a proposal or intention by a Third Party to take any action, whether directly or indirectly, including without limitation a non-binding letter of intent, that could lead to a Change of Control, (2) PROTIVA planning to solicit or soliciting offers relating to its voting securities or assets that could lead to a Change of Control, or (3) any Change of Control, PROTIVA shall provide prompt written notice thereof to ALNYLAM.

14.8 Notices.

Notices to ALNYLAM will be addressed to:

Alnylam Pharmaceuticals, Inc.
300 Third Street
Cambridge, Massachusetts 02142
U.S.A.
Attention: Vice President - Legal
Facsimile No.: (617) 551-8101

With copy to:

Faber Daeufer & Rosenberg PC
950 Winter Street, Suite 4500
Waltham, Massachusetts 02451
Attention: Sumy C. Daeufer, Esq.
Facsimile No.: (781) 795-4747

Notices to PROTIVA will be addressed to:

PROTIVA Biotherapeutics Inc.
100-3480 Gilmore Way
Burnaby, B.C., Canada
Attention: President & CEO
Facsimile No.: (604) 630-5103

With copy to:

Fenwick & West LLP
1191 Second Avenue
Seattle, WA 98101
Attention: Roger M. Tolbert, Esq.
Facsimile No.: (206) 389-4511

Any Party may change its address by giving notice to the other Party in the manner provided in this Section 14.8. Any notice required or provided for by the terms of this Agreement will be in writing and will be (a) sent by certified mail, return receipt requested, postage prepaid, (b) sent

via a reputable international express courier service, or (c) sent by facsimile transmission, with a copy by regular mail. The effective date of the notice will be the actual date of receipt by the receiving Party.

14.9 Independent Contractors. It is understood and agreed that the relationship between the Parties is that of independent contractors and that nothing in this Agreement will be construed as authorization for either Party to act as the agent for the other Party.

14.10 Governing Law; Jurisdiction. This Agreement will be governed and interpreted in accordance with the substantive laws of the State of Delaware, U.S.A., notwithstanding the provisions governing conflict of laws under such law of the State of Delaware to the contrary, provided that (i) matters of intellectual property law will be determined in accordance with the national intellectual property laws relevant to the intellectual property in question, and (ii) the application of the 1980 United Nations Convention on Contracts for the International Sale of Goods is expressly excluded from this Agreement.

14.11 Severability. In the event that any provision of this Agreement is held by a court of competent jurisdiction to be unenforceable because it is invalid or in conflict with any law of the relevant jurisdiction, the validity of the remaining provisions will not be affected and the rights and obligations of the Parties will be construed and enforced as if the Agreement did not contain the particular provisions held to be unenforceable, provided that the Parties will negotiate in good faith a modification of this Agreement with a view to revising this Agreement in a manner which reflects, as closely as is reasonably practicable, the commercial terms of this Agreement as originally signed.

14.12 No Implied Waivers. The waiver by either Party of a breach or default of any provision of this Agreement by the other Party will not be construed as a waiver of any succeeding breach of the same or any other provision, nor will any delay or omission on the part of either Party to exercise or avail itself of any right, power or privilege that it has or may have hereunder operate as a waiver of any right, power or privilege by such Party.

14.13 Headings. The headings of articles and sections contained this Agreement are intended solely for convenience and ease of reference and do not constitute any part of this Agreement, or have any effect on its interpretation or construction.

14.14 Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to its subject matter and supersedes all previous written or oral representations, agreements and understandings between the Parties including, without limitation, the Original Cross-License Agreement. This Agreement (including the attachments hereto) may be amended only by a writing signed by both Parties.

14.15 Waiver of Rule of Construction. Each Party has had the opportunity to consult with counsel in connection with the review, drafting and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement shall be construed against the drafting Party shall not apply.

14.16 No Third Party Beneficiaries. Except as expressly contemplated herein, no Third Party, including any employee of any Party to this Agreement, shall have or acquire any rights by reason of this Agreement.

14.17 Further Assurances. The Parties will with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each Party will provide such further documents or instruments required by the other Party as may be reasonably necessary or desirable to give effect to the purpose of this Agreement and carry out its provisions.

14.18 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, and all of which together will constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have set their hand to this Agreement as of the date first written above.

ALNYLAM PHARMACEUTICALS, INC.

By: /s/ John Maraganore
Name: John Maraganore
Title: CEO

PROTIVA BIOTHERAPEUTICS INC.

By: /s/ Mark J. Murray
Name: Mark J. Murray
Title: President and CEO

EXHIBIT A-1

ALNYLAM Patent Rights

[**]

A total of eight pages were omitted and filed separately with the Securities and Exchange Commission.

***Confidential Treatment Requested.**

EXHIBIT A-1-A

CERTAIN ALNYLAM PATENTS RIGHTS RELATING TO THE APOB TARGET

[**]

***Confidential Treatment Requested.**

EXHIBIT A-2

Class 1 PROTIVA Patent Rights

[**]

A total of six pages were omitted and filed separately with the Securities and Exchange Commission.

***Confidential Treatment Requested.**

EXHIBIT A-3

Class 2 PROTIVA Patent Rights

[**]

A total of four pages were omitted and filed separately with the Securities and Exchange Commission.

***Confidential Treatment Requested.**

EXHIBIT B

IN-LICENSES COVERING ALNYLAM PATENT RIGHTS

[**]

***Confidential Treatment Requested.**

EXHIBIT C

PLK RESEARCH PLAN

[**]

***Confidential Treatment Requested.**

EXHIBIT D

R&D RESEARCH PLAN

[**]

A total of two pages were omitted and filed separately with the Securities and Exchange Commission.

***Confidential Treatment Requested.**

EXHIBIT E

[**]

A total of four pages were omitted and filed separately with the Securities and Exchange Commission.

***Confidential Treatment Requested.**

APPENDIX I

PLK TARGET

[**]

***Confidential Treatment Requested.**

APPENDIX II

DESCRIPTION OF LICENSED INFORMATION TO BE DISCLOSED BY PROTIVA

[**].[**]

A total of seven pages were omitted and filed separately with the Securities and Exchange Commission.

***Confidential Treatment Requested.**

APPENDIX III

[Intentionally omitted]

APPENDIX IV

Terms and Conditions of Co-Development Agreement

[**].

A total of two pages were omitted and filed separately with the Securities and Exchange Commission.

***Confidential Treatment Requested.**

APPENDIX V

EXCEPTIONS TO REPRESENTATIONS AND WARRANTIES

[**]

***Confidential Treatment Requested.**

Exhibit 4.6

* Confidential Treatment has been requested for the marked portions of this exhibit pursuant to Rule 24B-2 of the Securities Exchange Act of 1934, as amended.

LICENSE AGREEMENT

BETWEEN

INEX PHARMACEUTICALS CORPORATION

AND

ARADIGM CORPORATION

License Agreement

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License Agreement

This LICENSE AGREEMENT dated as of the 8th day of December, 2004 between **INEX PHARMACEUTICALS CORPORATION**, a corporation duly incorporated pursuant to the laws of British Columbia, CANADA, having its principal place of business at 100 – 8900 Glenlyon Parkway, Burnaby, B.C. Canada V5J 5J8 (hereinafter referred to as "INEX"), and **ARADIGM CORPORATION**, a corporation duly incorporated pursuant to the laws of the State of California, USA, having its principal place of business at 3929 Point Eden Way, Hayward, CA 94545 USA. (hereinafter referred to as "Aradigm").

INTRODUCTION

A. The Canadian Department of National Defence has identified a requirement for the development of countermeasures for protection from, and/or treatment of personnel exposed to certain biological warfare infectious agents such as inhalation anthrax. Defence Research and Development Canada (DRDC), an agency of the Canadian Department of National Defence, has a requirement for industry to formulate liposome-encapsulated Ciprofloxacin into a stable product for delivery by a portable aerosol inhaler device.

B. The end product of the work for the DRDC will be a pre-clinical data package capable of supporting the submission of a Clinical Trials Application (CTA) package or its equivalent i.e. Investigational New Drug submission, to the appropriate Regulatory Authorities.

C. Aradigm is a drug delivery company and the owner of certain patents and know-how related to the AERx Device (as further defined in this Agreement);

D. INEX is a pharmaceutical company and the owner of certain patents and know-how related to liposomal drug delivery systems;

E. INEX and Aradigm desire to set out in this Agreement the terms which will govern the development and licensing of the INEX Liposome Technology (as further defined in this Agreement) for delivering Ciprofloxacin (as further defined in this Agreement) with the AERx Device, meeting the requirements of the DRDC, and the making, use and sale of product by Aradigm in Field in the Territory (as further defined in this Agreement);

In consideration of the mutual covenants and promises contained in this Agreement and other good and valuable consideration, and intending to be legally bound, INEX and Aradigm agree as follows:

Article 1 Interpretation

1.1 Definitions

As used in this Agreement, the following terms, whether used in the singular or plural, shall have the following meanings:

1.1.1 "AERx Device" means the durable hand-held device developed by Aradigm for the delivery of Ciprofloxacin by inhalation and known as the "AERx Device", as such device may be modified pursuant to the Agreement.

1.1.2 “Affiliate” means any corporation, company, partnership, joint venture or other person or entity which controls, is controlled by or is under common control with a Party. For purposes of this Section 1.1.2, “control” shall mean (a) in the case of corporate entities, direct or indirect ownership of at least 50% of the stock or shares (or such lesser percentage which is the maximum allowed to be owned by a foreign corporation in a particular jurisdiction) entitled to vote for the election of directors or otherwise having the power to vote on or direct the affairs of such Party; and (b) in the case of non-corporate entities, direct or indirect ownership of at least 50% of the equity interest or the power to direct the management and policies of such non-corporate entities.

1.1.3 “Agreement” means this License Agreement including all exhibits attached to this Agreement.

1.1.4 “Aradigm Invention” has the meaning set out in Article 8.

1.1.5 “Business Day” means any day other than a day which is a Saturday, a Sunday or a statutory holiday in British Columbia or California.

1.1.6 “Ciprofloxacin” means the chemical compound known as ciprofloxacin, whose more specified chemical name is 1-cyclopropyl-6-fluoro-1,4-dihydro-4-oxo-7-(1-piperazinyl)-3-quinolinecarboxylic acid and all pharmaceutically active salts thereof.

1.1.7 “Commercially Reasonable Efforts” means reasonable efforts, and in any event efforts which are not less than those efforts a Party makes with respect to other pharmaceutical products of comparable commercial potential, stage of development, medical/scientific, technical and regulatory profile, and patent protection.

1.1.8 “Confidential Information” means:

(a) all proprietary information and materials, patentable or otherwise, of a Party which is disclosed in writing by or on behalf of such Party to the other Party and marked as confidential or proprietary, including DNA sequences, vectors, cells, substances, formulations, techniques, methodology, equipment, data, reports, know-how (including the Know-How), preclinical and clinical trials and the results thereof, sources of supply, patent positioning and business plans, including any negative developments, and

(b) any other information, oral or written, designated in writing by the disclosing Party to the other Party as confidential or proprietary within ten (10) days after such disclosure, whether or not related to the making, use, importing or selling of Licensed Product.

provided that Confidential Information shall not include such information which:

(c) was known or used by the receiving Party or its Affiliates prior to its date of disclosure to the receiving Party, as evidenced by the prior written records of the receiving Party or its Affiliates; or

(d) either before or after the date of the disclosure to the receiving Party is lawfully disclosed to the receiving Party or its Affiliates by an independent, unaffiliated Third Party rightfully in possession of the Confidential Information; or

(e) either before or after the date of the disclosure to the receiving Party becomes published or generally known to the public through no fault or omission on the part of the receiving Party or its Affiliates; or

(f) the receiving Party can verify by written documentation results from research and development by the receiving Party or any of its Affiliates independent and in advance of disclosure by the other Party thereof; or

(g) is disclosed by the receiving Party to its attorneys, accountants or other advisors, actual or potential lenders, investors or purchasers, each of whom shall be subject to a confidentiality restriction; or

(h) is required to be disclosed by the receiving Party to comply with applicable laws, to defend or prosecute litigation or to comply with governmental regulations, provided that the receiving Party provides prior written notice of such disclosure to the other Party and takes reasonable and lawful actions to avoid and/or minimize the degree of such disclosure.

1.1.9 "Crown Identified Patents" means the Patents identified in Exhibit 1.1.9.

1.1.10 "Dollar" and "$" means United States Dollars.

1.1.11 "DRDC" means Defence Research and Development Canada, an agency of the Canadian Department of National Defence.

1.1.12 "Effective Date" means the date shown on page one of this Agreement.

1.1.13 "FDA" means the United States Food and Drug Administration.

1.1.14 "Field" means the pulmonary delivery of Ciprofloxacin.

1.1.15 "IND" means an Investigational New Drug application in accordance with the rules and regulations of the FDA.

1.1.16 "Indication" means an indication pursued by Aradigm in a clinical program for the use of a Licensed Product.

1.1.17 "INEX Invention" has the meaning set out in Article 8.

1.1.18 "INEX Liposome Technology" means INEX's proprietary liposomal drug delivery system that encapsulates drugs in sphingomyelin/cholesterol liposomes using a proton gradient generated by either an ionophore or methylammonium sulfate.

1.1.19 "Intellectual Property Rights" means rights to any patent, copyright, trademark, trade name or domain name rights, registrations and applications for registration of all of the foregoing rights, and rights in trade secrets, confidential information, moral rights and goodwill.

1.1.20 “Know-How” means all technical information and know-how owned or controlled by INEX which relates to Licensed Product as of the Effective Date, to the extent that INEX is legally able to grant Aradigm the license rights outlined in Section 2.1, which are necessary or useful for the development and commercialization of Licensed Product and shall include, without limitation, all biological, chemical, pharmacological, toxicological, clinical, assay, control and manufacturing data and any other information necessary or useful for the development and commercialization of Licensed Product.

1.1.21 “Licensed Patents” means the Loading Patents and the Sphingosome Patents.

1.1.22 “Licensed Product” means Ciprofloxacin encapsulated in the INEX Liposome Technology and which is intended for pulmonary delivery.

1.1.23 “Loading Patents” means the patents owned by UBC and exclusively licensed to INEX and set out in Exhibit 1.1.23.

1.1.24 “Major European Countries” means the United Kingdom, France, Germany, Italy and Spain.

1.1.25 “NDA” means a New Drug Application in accordance with the rules and regulations of the FDA.

1.1.26 “Net Sales” means the aggregate United States dollar equivalent of gross revenues invoiced by Aradigm and its Affiliates and its Sublicensees from or on account of the sale of Licensed Product to Third Parties, less deductions actually allowed or specifically allocated and actually incurred to Licensed Product by Aradigm using generally accepted accounting standards and reasonable practices with respect to sales of all Aradigm’s products, consistently applied, for the following:

(a) trade, cash, and quantity discounts off the invoiced price and similar promotional discounts or rebates (such as management fees required by hospital buying groups or granted to managed care organizations) off the invoiced price,

(b) credits or allowances, if any, actually granted for spoiled, damaged, out-dated and returned or recalled Licensed Product,

(c) excise taxes, sales taxes, value added taxes, consumption taxes, customs and other duties or other taxes or other governmental charges imposed upon and paid or allowed with respect to the production, importation, use or sale of Licensed Product (excluding income or franchise taxes of any kind), and

(d) if separately itemized in Aradigm’s invoice for Licensed Product, insurance, freight or other transportation costs incurred in shipping such Licensed Product to such Third Parties,

(collectively, the “Permitted Deductions”), all of the foregoing to the extent consistent with the normal practice in the industry, and provided that any and all of the foregoing are calculated in accordance with USA Generally Accepted Accounting Principles consistently applied. The foregoing definition is subject to the following:

(e) No deduction shall be made for any item of cost incurred by Aradigm, its Affiliates or Sublicensees in preparing, manufacturing, shipping or selling Licensed Product except as permitted pursuant to Sections 1.1.26(a) through 1.1.26(d) inclusive.

(f) Net Sales shall not include any transfer among any of Aradigm, its Affiliates and Sublicensees for resale, but Net Sales shall include the subsequent final sales to Third Parties by such Affiliates or Sublicensees.

(g) Notwithstanding the foregoing, in the event that a governmental agency requires a sublicense of the INEX Liposome Technology as a condition of sales of Licensed Product by Aradigm to such agency, then sales of Licensed Product to such agency shall be deemed to be sales to a Third Party for the purposes of calculating Net Sales. If such governmental agency makes or has made Licensed Product for its own use and such manufacture or use does not generate direct or indirect remuneration for Aradigm, then such Licensed Product so manufactured and used shall not be included in Net Sales for the purposes of calculating remuneration to INEX under this Agreement.

(h) Fair market value shall be assigned to any and all non-cash consideration such as but not limited to any credit, barter, benefit, advantage or concession received by Aradigm or its Affiliates or Sublicensees in payment for sale of Licensed Product.

(i) As used in this definition, a "sale" shall have occurred when Licensed Products are billed out or invoiced.

(j) Notwithstanding anything herein to the contrary, the following shall not be considered a sale of a Licensed Product under this Agreement: (i) the transfer of a Licensed Product to a Third Party without consideration to Aradigm in connection with the development or testing of a Licensed Product; or (ii) the transfer of a Licensed Product to a Third Party without consideration in connection with the marketing or promotion of the Licensed Product (e.g., pharmaceutical samples).

1.1.27 "Party" means INEX or Aradigm and "Parties" means INEX and Aradigm.

1.1.28 "Patent" means (a) all patent applications filed or having legal force in any country owned or controlled by INEX as of the Effective Date; (b) all patents that have issued or in the future issue therefrom owned or controlled by INEX as of the Effective Date, including without limitation utility, model and design patents and certificates of invention; and (c) all divisionals, continuations, continuations-in-part, reissues, renewals, extensions (including supplemental protection certificates), additions, registrations or confirmations to or of any such patent applications and patents.

1.1.29 "Person" means and includes any individual, corporation, partnership, firm, joint venture, syndicate, association, trust, government body, and any other form of entity or organization.

1.1.30 "Phase II Trial" means that portion of the clinical development program that provides for additional assessment of safety and preliminary assessment of efficacy at

particular dosage levels of a Licensed Product in human volunteers or patients, which is intended to gather information to support the pivotal human clinical trials using the Licensed Product, performed in accordance with the *U.S.A. Federal Food, Drug and Cosmetic Act* and applicable regulations promulgated thereunder (including without limitation 21 CFR Part 312), as amended from time to time.

1.1.31 "Phase III Trial" means that portion of the clinical development program that provides for human clinical trials, performed after preliminary evidence suggesting dose and effectiveness of a Licensed Product has been obtained, which is intended to gather the additional information about the effectiveness and safety that is needed to evaluate the overall benefit-risk relationship of the Licensed Product and to provide adequate basis for labeling, performed in accordance with the *U.S.A. Federal Food, Drug and Cosmetic Act* and applicable regulations promulgated thereunder (including without limitation 21 CFR Part 312), as amended from time to time.

1.1.32 "Prime Rate" means the prime or equivalent rate quoted by Citibank, N.A. from time to time.

1.1.33 "Project Bioshield" means any program pursuant to which the FDA or any other Regulatory Authority may make medical treatments quickly available, including the program contemplated by the *Project Bioshield Act of 2004*, and any counterpart, successor or alternative to such legislation, or any legislation of similar effect.

1.1.34 "Regulatory Approval" means, with respect to a country, all approvals (including price and reimbursement approvals), licenses, registrations, or authorizations of any federal, state or local regulatory agency, department, bureau or other government entity, necessary for the use, storage, import, transport, marketing and sale of Licensed Product, in such country for use in the Field.

1.1.35 "Representatives" means, in respect of a Person, that Person's Affiliates and their respective directors, officers, employees, consultants, subcontractors, Sublicensees, agents, representatives and other persons acting under their authority.

1.1.36 "Sphingosome Patents" means the Patents owned by INEX and set out in Exhibit 1.1.36.

1.1.37 "Sublicensee" means a Third Party to whom Aradigm has granted a sublicense to make, have made, use, import, offer for sale or sell Licensed Product in one or more countries of the Territory. Without limiting the generality of the foregoing, a Sublicensee shall be deemed to include any Third Party who is granted a sublicense hereunder by Aradigm pursuant to the terms of the outcome or settlement of any infringement or threatened infringement action.

1.1.38 "Territory" means all of the countries and territories of the world.

1.1.39 "Third Party(ies)" means any Person other than INEX or Aradigm or an Affiliate of either of them.

1.1.40 "UBC" means the University of British Columbia, a corporation continued under the University Act of British Columbia and having its administrative offices at 2075 Wesbrook Mall, in the City of Vancouver, in the Province of British Columbia.

1.1.41 “UBC License Agreement” means the license agreement between INEX and UBC executed July 30, 2001 and effective July 1, 1998 that grants INEX rights to the Loading Patents.

1.1.42 “USA” means the United States of America, including its territories, possessions and the Commonwealth of Puerto Rico.

1.1.43 “Valid Claim” means either:

(a) a claim of an issued and unexpired patent which has not been held unenforceable, unpatentable or invalid by a court or other governmental agency of competent jurisdiction, and which has not been admitted to be invalid or unenforceable through reissue, disclaimer or otherwise; or

(b) a claim in a patent application, provided that if such pending claim has not issued as a claim of an issued patent within seven (7) years after the filing date of such patent application, such pending claim shall not be a Valid Claim for purposes of this Agreement.

In the event that a claim of an issued patent is held by a court or other governmental agency of competent jurisdiction to be unenforceable, unpatentable or invalid, and such holding is reversed on appeal by a higher court or agency of competition jurisdiction, such claim shall be reinstated as a Valid Claim hereunder.

1.2 Entire Agreement

This Agreement constitutes the entire agreement between the Parties concerning the subject matter hereof.

1.3 Governing Law

This Agreement shall be deemed to have been made in the Province of British Columbia and its form, execution, validity, construction and effect shall be determined in accordance with the laws thereof.

1.4 Headings

The headings contained in this Agreement are for convenience of reference only and shall not be considered in construing this Agreement. References to Articles are references to Articles of this Agreement and the Sections contained therein, and references to Sections are references to Sections of this Agreement.

1.5 Severability

If a court or other tribunal of competent jurisdiction should hold any term or provision of this agreement to be excessive, or invalid, void or unenforceable, the offending term or provision shall be deemed inoperative to the extent that they may conflict therewith and shall be deemed to be modified to the extent necessary to conform with such statute or rule of law, while still preserving, to the extent practicable, the legitimate aims of the Parties, provided that the remaining portions hereof shall remain in full force and effect. In the event that the terms and conditions of this Agreement are materially altered as a result of the above, the Parties will renegotiate the terms and conditions of this Agreement to resolve any inequities.

Article 2 Patent and Know-How Licenses

2.1 Licenses

Subject to the reservation set forth in Section 2.3, INEX hereby grants to Aradigm:

2.1.1 an exclusive license for the Field in the Territory under the Licensed Patents; and

2.1.2 an exclusive license for the Field in the Territory under the Know-How;

for the sole purpose of developing, making, having made, importing, using, offering for sale and selling Licensed Product in the Territory, including the right to grant sublicenses under these rights as set out in Section 2.4.

2.2 Exclusive License Term

In respect of each Licensed Product, on a country-by-country basis, the licenses granted pursuant to:

2.2.1 Section 2.1.1 shall continue in effect until the expiration of the last Valid Claim of the Licensed Patents which covers such Licensed Product licensed to Aradigm hereunder; and

2.2.2 Section 2.1.2 shall continue in effect until the expiry of ten years from the first commercial sale of such Licensed Product;

unless earlier terminated in accordance with this Agreement.

2.3 Reservation of Rights

INEX retains the right under the Licensed Patents and the Know-How to practice the inventions in the Field solely for internal research purposes and for any purpose outside the Field. Aradigm and INEX acknowledge and agree that UBC may use the Loading Patents and associated Know-How without charge in any manner whatsoever solely for non-commercial research, scholarly publication, educational or other non-commercial use.

2.4 Sublicenses

2.4.1 Aradigm shall have the right to sublicense rights granted in Section 2.1 to its Affiliates, subject to the following:

(a) Aradigm hereby unconditionally guarantees the performance of any such Affiliates hereunder as if they were signatories to this Agreement.

(b) Such sublicenses shall terminate upon the termination of Aradigm’s rights granted herein.

(c) Each sublicense shall contain covenants by the Affiliate for the benefit of INEX and Aradigm to observe and perform similar terms and conditions to those in the UBC License Agreement and in this Agreement.

(d) A breach by any such Affiliate of any such obligation shall constitute a breach by Aradigm of this Agreement and shall entitle INEX to exercise its rights hereunder, in addition to any other rights and remedies to which INEX may be entitled.

2.4.2 Aradigm shall also have the right to sublicense rights granted in Section 2.1 to Third Parties, subject to the following:

(a) Within ten (10) calendar days after execution of a sublicensing agreement, Aradigm shall provide INEX with a copy thereof (provided that Aradigm shall be permitted to redact the financial terms of such agreement).

(b) Such sublicenses shall terminate upon the termination of Aradigm's rights granted herein unless events of default are cured by Aradigm or Sublicensee within the period for the cure of default after notification by INEX as provided by the terms of this Agreement.

(c) Each sublicense shall contain covenants by the Sublicensee for the benefit of INEX and Aradigm to observe and perform similar terms and conditions to those in the UBC License Agreement and in this Agreement.

(d) In the event that Aradigm becomes aware of a material breach of any such sublicense by the Sublicensee, Aradigm shall promptly notify INEX of the particulars of same and take all reasonable steps to enforce the terms of such sublicense. Upon the request of INEX, Aradigm shall act reasonably in considering any request of INEX for Aradigm to terminate such sublicense.

2.4.3 In the event Aradigm grants sublicenses to others to make or sell Licensed Product, such sublicenses shall include an obligation for the Sublicensee to account for and report its Net Sales of such Licensed Product on the same basis as if such sales were Net Sales by Aradigm, and INEX shall receive royalties in the same amounts as if the Net Sales of the Sublicensee were Net Sales of Aradigm.

Article 3 Milestone Payments and Sublicense Fees

3.1 License Fee

Upon execution of this Agreement by both Parties, Aradigm shall forthwith pay to INEX [*].

3.2 Milestone Payments

In consideration of the licenses granted by INEX to Aradigm under this Agreement, Aradigm shall make the following milestone payments to INEX:

Milestones Per Indication (each payable twice)	
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]

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Provided that:

3.2.1 Each milestone payment shall be made no more than [*] per Indication, regardless of how many times such milestone is achieved for such Indication. Each milestone payment shall be made no more than [*] in the aggregate, regardless of how many Indications are pursued.

3.2.2 The Parties anticipate that the first Indication to be pursued by Aradigm for the Licensed Product shall be [*], and the second Indication will be [*]. Notwithstanding the foregoing, Aradigm may pursue any Indication in priority to either or both of these Indications.

3.2.3 In respect of any Indication, if Aradigm is able to achieve any milestone set out in this Section without first achieving one or more of the earlier milestones for such Indication, including, without limitation, if such an occurrence is facilitated as a result of Project Bioshield, then the milestone payments corresponding to the unachieved milestone(s) shall be payable upon occurrence of any subsequent milestone.

3.2.4 Aradigm shall make the milestone payments to INEX within [*] days after achievement of each milestone. Aradigm shall make the milestone payments to INEX whether the milestone is achieved by Aradigm itself, or by an Affiliate or a Sublicensee.

3.2.5 Subject to Section 3.2.3, payment shall not be owed for a milestone which is not reached.

3.2.6 [*].

3.2.7 [*].

3.2.8 [*].

3.3 Independent Consideration

The amounts payable to INEX pursuant to Sections 3.1 and 3.2 are non-refundable and shall be in addition to, and not in lieu of, the royalties payable to INEX pursuant to Article 4.

Article 4 Patent and Know-How Royalties

4.1 Royalty Rate

Subject to the rest of this Article 4, Aradigm shall pay to INEX earned royalties on all Net Sales in the Territory of Licensed Product by Aradigm, its Affiliates and Sublicensees at the following rates, on a country-by-country basis:

	Royalty
[*]	[*]
[*]	[*]

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4.2 Royalty Term and Rate Modification

4.2.1 The royalty obligations set forth in Section 4.1 with respect to any Licensed Product in any country in the Territory shall continue until the expiry of the licenses respecting same in accordance with Section 2.2.

4.2.2 In respect of any country in the Territory, upon expiry of the last Valid Claim of the Licensed Patents which covers the Licensed Product, or in the event that there is no Valid Claim of the Licensed Patents which covers such Licensed Product, Aradigm shall pay to INEX [*] of the earned royalty specified in Section 4.1 until the license in Section 2.1.2 is no longer in effect in accordance with Section 2.2.

4.2.3 Upon the expiration in accordance with Section 2.2 of the last to expire of the licenses granted under Section 2.1 with respect to Licensed Product in a country in the Territory, such license shall become a fully paid, non-exclusive license with respect to Know-How for such Licensed Product in such country of the Territory.

4.3 Combination Products

4.3.1 In the event a Licensed Product is sold in combination with one or more other elements, including with [*] or related accessories intended for use with such [*], the Net Sales from the Licensed Product, for the purposes of determining royalty payments under this Agreement, shall be determined by [*] the Net Sales of such combination (as if the combination were the Licensed Product for the purposes of the definition of Net Sales), during the applicable royalty reporting period, by [*] excluding the Licensed Product when sold separately in the country in which the combination is sold, in each case during the applicable royalty reporting period or, if sales of the Licensed Product alone did not occur in such period, then in the most recent royalty reporting period in which arms length fair market sales of such Licensed Product occurred. In the event that such average sale price cannot be determined for both the Licensed Product and all other elements of such combination, Net Sales for the purposes of determining royalty payments shall be mutually agreed upon by the Parties acting reasonably, based on the relative value contributed by each component.

4.3.2 If the parties are unable to come to agreement on any disputes arising out of the determinations to be made under this Article, the issue will be determined pursuant to Article 13.

4.4 Stacking

If, in respect of any country in the Territory:

4.4.1 if it is necessary to seek a license from any Third Party in order to avoid infringement by elements of the Licensed Product other than the [*] or dosage forms; or

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4.4.2 if a court of competent jurisdiction determines that such a license is required;

then [*] of any royalties or other fees paid to such Third Party under such license in respect of such country may be credited against payments otherwise due INEX under Section 4.1 in respect of such country, provided that in no event shall such credits, together with the royalty reduction contemplated by Section 4.2.2 cause the payments set forth in Section 4.1 in respect of such country to be reduced to less than [*] of the applicable payments set forth in Section 4.1, and any such royalties or other fees paid to such Third Party and not deducted in any calendar year may not be deducted in any subsequent year. Nothing in this Section 4.4 shall reduce Aradigm's obligation to pay milestones in accordance with Section 3.2. This Section shall not relieve any Party of its obligations arising for breach of a warranty contained in Article 7, and therefore this Section shall not be applied in respect of any infringement which would not have arisen if the warranties in Article 7 were true. Notwithstanding the foregoing, Aradigm shall have no right to deduct any royalties or other fees paid or otherwise have the advantage of this Section 4.4 in respect of the Crown Identified Patents.

4.5 Reports and Payment

Aradigm shall deliver to INEX within sixty (60) days after the end of each calendar quarter a written report showing its computation of royalties due under this Agreement upon Net Sales by Aradigm and its Affiliates and its Sublicensees during such calendar quarter. All Net Sales shall be segmented in each such report according to sales by Aradigm, each Affiliate and each Sublicensee, as well as on a country-by-country basis, including the rates of exchange used to convert such royalties to United States dollars from the currency in which such sales were made. For the purposes hereof, the rates of exchange to be used for converting royalties hereunder to United States dollars shall be those in effect for the purchase of dollars as certified by CitiBank, N.A., New York, New York, U.S.A., on the last Business Day of the quarter with respect to which the payment is due. Aradigm, simultaneously with the delivery of each such report, shall tender payment in United States dollars of all royalties shown to be due thereon.

4.6 Withholding Taxes

Any tax which Aradigm is required to pay or withhold with respect of license fees, royalty payments and milestone payments to be made to INEX hereunder shall be deducted from the amount otherwise due provided that, in regard to any such deduction, Aradigm shall give INEX such assistance, which shall include the provision of such documentation as may be required by the US Internal Revenue Service and other revenue services, as may reasonably be necessary to enable INEX to evidence such payment, claim exemption therefrom or obtain a repayment thereof or a reduction thereof and shall upon request provide such additional documentation from time to time as is needed to confirm the payment of tax. The Parties agree that:

4.6.1 Aradigm shall be deemed to be the sole payor of payments owed to INEX under this Agreement and shall not have the right to substitute any domestic or foreign Affiliate for that purpose, and

4.6.2 in the event that Aradigm takes any action, including, without limitation, the assignment of this Agreement, any sublicensing permitted hereby, any change of jurisdiction of residence or any reorganization or change in its business or structure so that, after such action, the withholding tax on the payments under this Agreement would be substantially more than those in effect on the Effective Date, Aradigm shall either:

(a) with the co-operation of INEX, arrange its affairs so that the withholding tax consequences to INEX are not materially worse than those in effect prior to such action; or

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(b) gross up the payments otherwise owed to INEX so that INEX receives net of withholding taxes the amount INEX would have received but for such action.

4.7 Late Payments

Any payment by Aradigm that is not paid on or before the date such payment is due under this Agreement shall bear interest at a rate equal to the lesser of (i) [*], or (ii) the maximum rate permitted by law, calculated based on the number of days that payment is delinquent.

4.8 Foreign Royalties

Where royalties are due INEX hereunder for sales of Licensed Product in a country in the Territory where, by reason of currency regulations or taxes of any kind, it is impossible or illegal for Aradigm, any Affiliate or Sublicensee to transfer royalty payments to INEX for Net Sales in that country in the Territory, such royalties shall be deposited in whatever currency is allowable by the Person not able to make the transfer for the benefit or credit of INEX in an accredited bank in that country in the Territory that is reasonably acceptable to INEX.

4.9 Records, Audit

Aradigm shall keep, and shall require all Affiliates and Sublicensees to keep, full, true and accurate books of accounts and other records containing all information and data which may be necessary to ascertain and verify the royalties payable hereunder for a period of three (3) years after the date such royalties became payable. During the term of this Agreement after the first commercial sale of Licensed Product and for a period of one year following termination of this Agreement, INEX shall have the right from time to time (not to exceed once during each calendar year) to have either its internal financial audit personnel or an independent firm of accountants (i.e., a certified public accountant or like person reasonably acceptable to Aradigm) inspect such books, records and supporting data, provided such shall not cover such records for more than the preceding five years. Such independent firm of accountants shall perform these audits at INEX's expense upon reasonable prior notice and during Aradigm's regular business hours, and shall agree as a condition to such audit to maintain the confidentiality of all information of Aradigm disclosed or observed in connection with such audit and to disclose to INEX only whether Aradigm has complied with its obligations under this Agreement with respect to the accuracy of the royalty statements and payments. If the result of such audit demonstrates an underpayment to INEX of 5% or more, Aradigm shall pay for the reasonable costs of such audit.

Article 5 Technology Transfer

5.1 Initial Technology Transfer

INEX shall, upon Aradigm's request, for a period of six months from the Effective Date, transfer to or make available to Aradigm the then most-current version of all relevant Know-How to enable Aradigm's reasonably capable Representatives to understand such Know-How as reasonably necessary to encapsulate Ciprofloxacin using the INEX Liposome Technology, with a goal of delivering the resulting Licensed Product with the AERx Device.

***Confidential Treatment Requested.**

5.2 Subsequent Consultations

After the first six months from the Effective Date, INEX shall provide to Aradigm technical advice and consultation by phone and by meetings in person respecting the Know-How as reasonably requested by Aradigm, provided that, in providing such advice and consultation, INEX shall not be obliged:

5.2.1 to provide INEX Representatives for travel away from Vancouver more than once per calendar quarter; and

5.2.2 in addition to the travel contemplated in Section 5.2.1, to make available to Aradigm INEX Representatives for more than 12 hours per calendar quarter.

5.3 Cost Recovery for Technology Transfer Services

Aradigm shall pay to INEX all INEX's reasonable, documented out-of-pocket costs of providing technology transfer services pursuant to this Article 5, including travel and associated accommodation expenses of INEX Representatives who, at Aradigm's request, travel to provide technology transfer services pursuant to this Article 5.

Article 6 Diligence and Annual Reports

6.1 Aradigm's Diligence

In respect of each Licensed Product, Aradigm shall use Commercially Reasonable Efforts to:

6.1.1 conduct the necessary and appropriate preclinical and clinical trials and prepare, file and prosecute the governmental applications necessary to obtain Regulatory Approval for the Licensed Product in the Territory where appropriate to do so, and in any event in all of the following countries: USA, each of the Major European Countries and Japan;

6.1.2 market the Licensed Product in the Territory; and

6.1.3 launch sales of such Licensed Product and sell such Licensed Product in each such country where Regulatory Approval has been granted.

6.2 Subcontractors

Aradigm may subcontract to any of its Representatives any of its obligations in respect of the development of the Licensed Product without the consent of INEX; provided however, that:

6.2.1 each Representative must enter into an agreement with Aradigm which shall contain covenants by the Representative respecting Intellectual Property Rights (Article 8) and Confidential Information (Article 10) for the benefit of INEX and Aradigm to observe and perform similar terms and conditions to those set out in this Agreement; and

6.2.2 Aradigm shall be responsible to INEX for the performance of each of Aradigm's Representative's obligations under such agreement and all activities undertaken by its Representatives as contemplated by this Agreement.

6.3 Consequence of No Sales

In addition to the terms of Section 6.1, Aradigm shall be deemed to have breached its obligation to use Commercially Reasonable Efforts in conducting marketing of a Licensed Product in the USA, the Major European Countries and Japan if, for a continuous period of one hundred and eighty (180) days at any time following launch of commercial sales of such Licensed Product in any such country, no sales of the Licensed Product are made in the ordinary course of business in such country, unless Aradigm is prevented, restricted, interfered with or delayed in making such sales by reason of a cause beyond Aradigm's reasonable control and can demonstrate same to INEX, in which event such period shall be extended by the period of Aradigm's inability, provided that Aradigm uses Commercially Reasonable Efforts to avoid or remove the cause of such inability.

6.4 Reports

Aradigm shall report to INEX on the status and progress of Aradigm's efforts to develop and commercialize Licensed Product as follows:

6.4.1 Aradigm shall make annual reports, due on each anniversary of the Effective Date, to INEX setting forth in general terms, reasonably sufficient for evaluation of the diligence obligations contained herein, the efforts it made to develop and commercialize all Licensed Products during the previous year, including the achievement of any milestone, the planning, starting, completing or stopping of any trials, the preparation of an application for, or the submission or obtaining of any regulatory approval, any significant adverse developments, and any plans for or occurrences of any commercial sales of Licensed Product in any jurisdiction and, manufacturing and process development efforts as well as a summary of the efforts it intends to make in the upcoming year(s) on these matters. Aradigm agrees to appropriately consider any INEX input and comments related to Aradigm's plan for the upcoming year(s), provided that it is understood that Aradigm shall have final decision making responsibility for such plans.

6.4.2 To the extent that such could not be appropriately communicated to INEX in accordance with Section 6.4.1, Aradigm shall keep INEX informed in a timely manner of significant developments in Aradigm's (and its Affiliates and Sublicensees where relevant) progress of its efforts to develop and commercialize Licensed Product, including without limitation, the achievement of any milestone, the planning, starting, completing or stopping of any trials, the preparation of an application for, or the submission or obtaining of any regulatory approval, any significant adverse developments, and any plans for or occurrences of any commercial sales of Licensed Product in any jurisdiction.

Article 7 Representations and Warranties

7.1 By Aradigm

Aradigm hereby represents and warrants to INEX that, as of the Effective Date:

7.1.1 Aradigm has full legal right, power and authority to execute, deliver and perform its obligations under this Agreement;

7.1.2 the execution, delivery and performance by Aradigm of this Agreement do not contravene or constitute a default under any provision of applicable law or its articles or by-laws (or equivalent documents) or of any judgment, injunction, order, decree or other instrument binding upon Aradigm;

7.1.3 all consents, authorizations and approvals, if any, required by a governmental authority for the execution, delivery and performance by Aradigm of this Agreement have been obtained and are in full force and effect and all conditions thereof have been complied with, and no other action by or with respect to, or filing with, any governmental authority or any other person or entity is required in connection with the execution, delivery and performance by Aradigm of this Agreement;

7.1.4 this Agreement constitutes a valid and binding agreement of Aradigm, enforceable against Aradigm in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium or creditors' rights generally;

7.1.5 the execution, delivery and performance by Aradigm of this Agreement do not and will not conflict with or result in a material breach of any of the terms and provisions of any Third Party agreement of Aradigm entered into as of the Effective Date;

7.1.6 except for the Crown Identified Patents, to the knowledge of Aradigm (without further duty of inquiry), the exploitation by Aradigm of the rights granted to Aradigm hereunder in pursuit of the developing, making, having made, importing, using, offering for sale and selling of the Licensed Product does not infringe the Intellectual Property Rights of any Third Party;

7.1.7 Aradigm is not aware of any impediment, including without limitation any Third Party agreement of Aradigm, which would prevent Aradigm from performing its obligations under this Agreement; and

7.1.8 Aradigm will not enter into any Third Party agreement after the Effective Date which, in any way, will limit its ability to perform all of the obligations undertaken by Aradigm hereunder.

7.2 By INEX

INEX hereby represents and warrants to Aradigm that, as of the Effective Date:

7.2.1 INEX has full legal right, power and authority to execute, deliver and perform its obligations under this Agreement;

7.2.2 the execution, delivery and performance by INEX of this Agreement do not contravene or constitute a default under any provision of applicable law or its articles or by-laws (or equivalent documents) or of any judgment, injunction, order, decree or other instrument binding upon INEX;

7.2.3 except for the consent of UBC, all consents, authorizations and approvals, if any, required by a governmental authority for the execution, delivery and performance by

INEX of this Agreement have been obtained and are in full force and effect and all conditions thereof have been complied with, and no other action by or with respect to, or filing with, any governmental authority or any other person or entity is required in connection with the execution, delivery and performance by INEX of this Agreement;

7.2.4 except for UBC's reserved rights and rights granted by INEX outside the Field, INEX is the exclusive licensee of all legal and beneficial right, title and interest in and to the [*];

7.2.5 except for rights granted by INEX outside the Field, INEX is the exclusive owner of all legal and beneficial right, title and interest in and to the [*];

7.2.6 except for UBC's reserved rights and rights granted by INEX outside the Field, INEX is the sole and exclusive owner or licensee of the Know-How, free and clear of any lien, claim or encumbrance or rights of any other person or entity;

7.2.7 the UBC License Agreement is in full force and effect and has not been breached by INEX or, to the knowledge of INEX (without further duty of inquiry), UBC, and the representations and warranties made by INEX and, to the knowledge of INEX (without further duty of inquiry), UBC in the UBC License Agreement are sufficient to permit the granting by INEX of the license in Section 2.1 on the Effective Date;

7.2.8 this Agreement constitutes a valid and binding agreement of INEX, enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium or creditors' rights generally;

7.2.9 the execution, delivery and performance by INEX of this Agreement do not and will not conflict with or result in a material breach of any of the terms and provisions of any Third Party agreement of INEX entered into as of the Effective Date;

7.2.10 INEX is not aware of any impediment, including without limitation any Third Party agreement of INEX, which would prevent INEX from performing its obligations under this Agreement or that would conflict with or prevent the grant of the licenses and other rights in this Agreement to Aradigm; and

7.2.11 INEX will not enter into any Third Party agreement after the Effective Date which, in any way, will limit its ability to perform all of the obligations undertaken by INEX hereunder or that would conflict with or prevent the grant of the licenses and other rights in this Agreement to Aradigm.

7.3 Survival of Representations and Warranties

The representations and warranties contained herein shall survive the execution, delivery and performance of this Agreement by the Parties, notwithstanding any investigation at any time made by or on behalf of any Party or Parties, subject to any necessary changes which do not affect the enjoyment by the Parties of the rights granted in this Agreement.

7.4 DISCLAIMER

EXCEPT FOR THE EXPRESS WARRANTIES AND REPRESENTATIONS CONTAINED IN THIS AGREEMENT, NEITHER INEX NOR ARADIGM MAKES, AND EACH HEREBY EXPRESSLY

***Confidential Treatment Requested.**

DISCLAIMS, ANY WARRANTIES OR REPRESENTATIONS, EITHER EXPRESS OR IMPLIED, WHETHER IN FACT OR IN LAW, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT.

Article 8 Intellectual Property Rights

8.1 Ownership of Pre-Existing Intellectual Property Rights

Any Intellectual Property Rights owned by either Party prior to the Effective Date shall remain solely owned by such Party.

8.2 Ownership of Intellectual Property Rights from Development

Intellectual Property Rights arising from the development of Licensed Product or the activities of Aradigm or its Representatives contemplated by this Agreement relating to:

8.2.1 liposomal drug delivery systems and all improvements, modifications and derivatives thereof (but not related to the AERx Device, dosage forms or formulations of drugs for use with such AERx Device) shall be solely owned by INEX regardless of which Party or Party's Representatives created or invented such intellectual property (hereinafter "INEX Invention"); and

8.2.2 the AERx Device, dosage forms or formulations of drugs for use with such AERx Device and/or anything else other than an INEX Invention, shall be solely owned by Aradigm regardless of which Party or Party's Representatives created or invented such intellectual property (hereinafter "Aradigm Invention").

8.3 INEX Inventions and Aradigm Inventions

8.3.1 Each Party will report to the other Party in a timely manner any INEX Inventions or Aradigm Inventions that belong to the other Party pursuant to Section 8.2.

8.3.2 INEX shall have the right and responsibility to decide whether or not to seek or continue to seek or maintain patent protection on any INEX Invention in any country, and shall have the right to file for, prosecute and maintain patents on any INEX Invention in any country.

8.3.3 Aradigm shall have the right and responsibility to decide whether or not to seek or continue to seek or maintain patent protection on any Aradigm Invention in any country, and shall have the right to file for, procure and maintain patents on any Aradigm Invention in any country.

8.4 Incorporation of INEX Inventions into License

All INEX Inventions shall be licensed to Aradigm on the terms hereof as if such INEX Inventions were Licensed Patents and Know-How hereunder.

8.5 Prosecution and Maintenance of Licensed Patents

INEX shall be responsible for and pay all future costs of prosecuting and maintaining the Licensed Patents.

8.6 Co-operation

Each Party agrees to obtain the co-operation of its Representatives in the assignment of any Intellectual Property Rights addressed by this Agreement and the preparation, filing, and prosecution of any applications for registration of same which may arise under this Agreement. Such co-operation shall include:

8.6.1 making available to the other Party or such other Party's Representatives whom the other Party in its reasonable judgment deems necessary in order to assist it in obtaining patent protection of the Licensed Patents, INEX Inventions and Aradigm Inventions and any applications therefor; and

8.6.2 executing and causing its Representatives to execute all legal documents reasonably necessary to support the assignment, filing, prosecution and maintenance of said Patents.

8.6.3 Aradigm shall, at the request of INEX and, in the case of the Loading Patents, UBC, enter into such further agreements and execute any and all documents as may reasonably be required to ensure that ownership of the Licensed Patents remains with the legal owner.

8.7 Trademarks

Aradigm, at its expense, shall be responsible for the selection, registration and maintenance of all trademarks which it employs in connection with Licensed Product in the Territory and shall own and control such trademarks during the term of this Agreement and following its termination or expiration. Nothing in this Agreement shall be construed as a grant of rights, by license or otherwise, to INEX to use such trademarks for any purpose.

8.8 Labeling and Patent Marking

The Licensed Product shall be packaged by Aradigm and labeled consistent with the requirements of the regulatory authorities in the country in which it will be sold, and where legally permissible, shall identify any applicable Licensed Patents consistent with any patent marking requirements.

Article 9 Allocation of Risk

9.1 Limits

Except as expressly set out in this Agreement, nothing in this Agreement shall be construed as:

9.1.1 a warranty or representation by UBC or INEX as to title to the Licensed Patents and Know-How or that anything made, used, sold or otherwise disposed of under the license granted in this Agreement is or will be free from infringement of patents, copyrights, trade-marks, industrial design or other intellectual property rights;

9.1.2 a warranty or representation by UBC or INEX that any patents covered by this Agreement are valid or enforceable;

9.1.3 an obligation by UBC or INEX to bring or prosecute or defend actions or suits against Third Parties for infringement of patents, copyrights, trade-marks, industrial designs or other intellectual property or contractual rights; or

9.1.4 the conferring by UBC or INEX of the right to use in advertising or publicity the name of INEX or UBC or their respective trade marks.

9.2 Conduct of Infringement Proceedings

Notwithstanding Section 9.1, in the event of:

9.2.1 an alleged infringement by a Third Party of the Licensed Patents or Know-How or any right with respect to the Licensed Patents or Know-How by the manufacture, sale or use of products or services in the Field; or

9.2.2 any complaint by Aradigm alleging any infringement by a Third Party with respect to the Licensed Patents or Know-How or any right with respect to the Licensed Patents or Know-How by the manufacture, sale or use of products or services in the Field;

subject to the consent of UBC under the UBC License Agreement granting INEX the right to prosecute such litigation, the following shall apply:

9.2.3 INEX shall have the first right, in its sole discretion, and at its sole expense, to prosecute or defend such litigation;

9.2.4 if INEX does not take steps to prosecute or defend such litigation within 90 days after receipt of notice thereof, Aradigm may take such legally permissible action as it deems necessary or appropriate to prosecute such litigation in the Field or defend such litigation at its own expense, but shall not be obligated to do so;

9.2.5 the Party prosecuting or defending such litigation (in this Article, the “Litigating Party”) shall have the right to control such litigation and shall bear all legal expenses (including court costs and legal fees), including settlement thereof provided however that no settlement or consent judgment or other voluntary final disposition of any suit defended or action brought by a Party pursuant to this Section 9.2 may be entered into without the consent of the other Party if such settlement would require the other Party to be subject to an injunction or to make a monetary payment or would restrict the claims in or admit any invalidity of any Licensed Patent(s) or significantly adversely affect the rights of the other Party to this Agreement (the “Non-litigating Party”). By way of example and not by way of limitation, there shall be no right of the Litigating Party to stipulate or admit to the invalidity or unenforceability of any Licensed Patent. Before any action is taken by the Litigating Party which could abridge the rights of the Non-litigating Party hereunder, the Parties agree to, in good faith, consult with a goal of adopting a mutually satisfactory position;

9.2.6 the Parties further acknowledge that solely to the extent that any final disposition of the litigation that will restrict the claims in or admit any invalidity of any Loading Patent(s) or significantly adversely affect UBC’s rights, any such disposition of the litigation requires the full consultation with and approval by UBC under the UBC License Agreement;

9.2.7 the Non-litigating Party agrees to co-operate reasonably in any such litigation to the extent of executing all necessary documents, supplying essential documentary evidence and making essential witnesses then in its employment available and to vest in the Litigating Party the right to institute any such suits, so long as all the direct or indirect costs and expenses of bringing and conducting any such litigation or settlement shall be borne by the Litigating Party, provided that INEX and Aradigm shall recover their respective actual out-of-pocket expenses, or equitable proportions thereof, associated with any litigation or settlement thereof from any recovery made by any Party. Any excess amount shall be shared equally between Aradigm and INEX.

9.2.8 the Litigating Party shall keep the Non-litigating Party fully informed of the actions and positions taken or proposed to be taken by the Litigating Party (on behalf of itself or a sublicensee) and actions and positions taken by all other parties to such litigation;

9.2.9 in the event that INEX prosecutes or defends such litigation, Aradigm may elect to participate formally in the litigation to the extent that the court may permit, but any additional expenses generated by such formal participation shall be paid by Aradigm (subject to the possibility of recovery of some or all of such additional expenses from such other parties to the litigation); and

9.2.10 in the event that Aradigm prosecutes or defends such litigation, Aradigm acknowledges that UBC may elect to participate formally in the litigation to the extent that the court may permit, but any additional expenses generated by such formal participation shall be paid by UBC (subject to the possibility of recovery of some or all of such additional expenses from such other parties to the litigation).

9.3 Breach of Confidence Proceedings

In the event of an alleged breach of confidentiality respecting Confidential Information or any Third Party use of Confidential Information, Aradigm and INEX agree that they shall reasonably cooperate to enjoin such Third Party's use of such Confidential Information.

9.4 Defense of Infringement Proceedings

9.4.1 If any complaint alleging infringement or violation of any patent or other proprietary rights is made against Aradigm, its Affiliate or a Sublicensee with respect to the manufacture, use or sale of a Licensed Product, the following procedure shall be adopted:

(a) Aradigm shall promptly notify INEX upon receipt of any such complaint and shall keep INEX fully informed of the actions and positions taken by the complainant and taken or proposed to be taken by Aradigm (on behalf of itself, its Affiliate or a Sublicensee), provided that it is understood that Aradigm shall have the right but not the obligation to defend such suit, and

(b) all costs and expenses incurred by Aradigm (its Affiliate or any Sublicensee) in investigating, resisting, litigating and settling such a complaint, including the payment of any award of damages and/or costs to any Third Party, shall be paid by Aradigm (its Affiliate or any Sublicensee, as the case may be).

(c) In any event, INEX and Aradigm shall assist one another and cooperate in any such litigation at the other's request at the expense of the requesting Party.

9.4.2 If any complaint alleging infringement or violation of any patent or other proprietary rights is made against INEX or its Affiliate with respect to the manufacture, use or sale of a Licensed Product, the following procedure shall be adopted:

(a) INEX shall promptly notify Aradigm in writing. INEX shall have the right but not the obligation to defend such suit at its own expense.

(b) In any event, INEX and Aradigm shall assist one another and cooperate in any such litigation at the other's request at the expense of the requesting Party.

9.4.3 In the event a complaint is made under either of Sections 9.4.1 or 9.4.2, no settlement or consent judgment or other voluntary final disposition may be entered into without the consent of the other Party if such settlement would require the other Party to be subject to an injunction or to make a monetary payment or would restrict the claims in or admit any invalidity of any Licensed Patent(s) or significantly adversely affect the rights of the other Party. The Parties further acknowledge that solely to the extent that any final disposition of the litigation that will restrict the claims in or admit any invalidity of any Loading Patent(s) or significantly adversely affect UBC's rights, any such disposition of the litigation requires the full consultation with and approval by UBC under the UBC License Agreement.

9.5 Co-operation with Other Licensees

Aradigm acknowledges that INEX has granted rights in respect of fields outside the Field, and may grant to its other sublicensees in respect of fields outside of the Field rights similar to those granted to Aradigm under Sections 9.2, 9.3, 9.4 and this Section 9.5. If INEX grants such rights to its other sublicensees, in the event of any litigation in respect of:

9.5.1 fields outside of the Field of the kind described in Sections 9.2, 9.3 and 9.4 that may reasonably affect Aradigm's use of the Licensed Patents or Know-How in the Field or the manufacture, use or sale of Licensed Product by Aradigm; or

9.5.2 the Field that may reasonably affect INEX or one or more of INEX's sublicensee's use of the Licensed Patents or Know-How outside the Field or the manufacture, use or sale of products outside the Field by INEX or one or more other such sublicensee(s);

then INEX, Aradigm and such other sublicensees will use good faith efforts to determine jointly the course of action, if any, necessary or appropriate to prosecute or defend the litigation. INEX will use reasonable efforts to include in its sublicense agreements, provisions that allow the participation of Aradigm as contemplated herein.

Article 10 Confidential Information and Publication

10.1 Treatment of Confidential Information

Each Party hereto shall maintain the Confidential Information of the other Party in confidence, and shall not disclose, divulge or otherwise communicate such Confidential Information to others, or use it for any purpose, except pursuant to, and in order to carry out, the terms and objectives of this Agreement, and hereby agrees to exercise every reasonable precaution to prevent and restrain the unauthorized disclosure of such Confidential Information by any of its Representatives.

10.2 Permitted Disclosures

Either Party may disclose the Confidential Information of the other Party to Third Party contractors or collaborators to facilitate or carry out research activities under this Agreement provided that such Third Parties enter into an agreement with such Party which contains confidentiality provisions substantially the same as those set forth herein.

10.3 Publications Generally

The following restrictions shall apply with respect to the disclosure in scientific journals or publications by any Party or Representative of any Party relating to the inventions contained in the Licensed Patents and the Know-How or to the activities or results of the development of Licensed Product:

10.3.1 a Party (the “Publishing Party”) shall provide the other Party with an advance copy of any proposed publication before any other disclosure of same and such other Party shall have a reasonable opportunity to recommend any changes it reasonably believes are necessary to preserve Intellectual Property Rights or Confidential Information belonging in whole or in part to INEX or Aradigm, and the incorporation of such recommended changes shall not be unreasonably refused; and

10.3.2 if such other Party informs the Publishing Party, within thirty (30) days after receipt of an advance copy of a proposed publication, that such publication in its reasonable judgment could be expected to have a material adverse effect on any Intellectual Property Rights or Confidential Information belonging in whole or in part to INEX or Aradigm, the Publishing Party shall delay or prevent such publication as proposed. In the case of inventions, the delay shall be sufficiently long to permit the timely preparation and filing of a patent application(s) or application(s) for a certificate of invention on the information involved but not less than ninety (90) days.

10.3.3 Nothing in this Agreement shall be construed as preventing or in any way inhibiting Aradigm from complying with statutory and regulatory requirements governing the development, manufacture, use and sale or other distribution of Licensed Product in the Territory in any manner which it reasonably deems appropriate, including, for example, by disclosing to regulatory authorities confidential or other information received from INEX.

10.4 Publication by UBC

Aradigm acknowledges that the policies of UBC require that the results of UBC’s research be publishable, subject to the UBC License Agreement. INEX and Aradigm therefore agree that the inventors of the Loading Patents or associated Know-How shall not be restricted from presenting at

symposia, national, or regional professional meetings, or from publishing in abstracts, journals, theses, or dissertations, or otherwise, whether in printed or in electronic media, methods and results of UBC's research, provided however that:

10.4.1 INEX provides to Aradigm within five (5) days after receipt from UBC, copies of any proposed publication or presentation provided to it by UBC; and

10.4.2 Aradigm has not, within 21 days after receipt of said copies, objected to INEX in writing to such proposed presentation or proposed publication in accordance with Section 10.5 of this Agreement.

10.5 Objection to UBC Publication

Aradigm may object to a proposed presentation or proposed publication by UBC on the grounds that:

10.5.1 it contains Confidential Information that was disclosed to UBC by INEX or Aradigm; or

10.5.2 it discloses patentable subject matter which needs protection.

10.6 Removal of Objectionable Material

If Aradigm makes an objection under Section 10.5.1, Aradigm shall specify the portions of the presentation or publication considered objectionable (the "Objectionable Material"). INEX shall forward Aradigm's objections to UBC within four (4) days after receipt thereof. Upon receipt of notification from Aradigm that any proposed publication or disclosure contains Objectionable Material, UBC and INEX shall work together to revise the proposed publication or presentation to remove or alter the Objectionable Material in a manner acceptable to Aradigm, in which case Aradigm shall withdraw its objection. INEX shall co-operate in all reasonable respects in making revisions to any proposed disclosures if considered by Aradigm to contain Objectionable Material. Aradigm acknowledges that UBC shall not be restricted from publishing or presenting the proposed disclosure as long as the Objectionable Material has been removed. In respect of any disclosures by UBC pursuant to Section 9.7 of the UBC License Agreement, upon Aradigm's request, INEX shall request that Aradigm's Confidential Information shall be deleted therefrom prior to disclosure by UBC.

10.7 Protecting Objectionable Material

If Aradigm makes an objection under Section 10.5.2, thereafter INEX and/or Aradigm may file a patent application in accordance with Article 8 and the Parties acknowledge that UBC is obligated under the UBC License Agreement to ensure that its researchers refrain from making such publication or presentation until one or more patent applications have been filed with one or more patent offices directed to such patentable subject matter, or until three (3) months have elapsed from date of receipt of the written objection by UBC, whichever is sooner, after which UBC and its researchers may proceed with said presentation or publication. For greater certainty, a provisional patent application shall be considered to be a patent application in the USA for the purposes of this Agreement.

Article 11 Termination

11.1 Term

This Agreement shall expire, on a country-by-country basis, upon the expiration of Aradigm's royalty obligations in each country in accordance with Section 4.2.

11.2 Voluntary Termination

Aradigm may terminate the licenses under this Agreement at any time by providing thirty (30) days prior written notice to INEX.

11.3 Termination for Breach

Each Party shall be entitled to terminate this Agreement and the licenses granted hereunder to the other Party by written notice to the other Party in the event that the other Party shall be in material default of any of its obligations hereunder, and shall fail to remedy any such default within sixty (60) days after notice thereof by the non-breaching Party. Any such notice shall specifically state that the non-breaching Party intends to terminate this Agreement in the event that the breaching Party shall fail to remedy the default. Any such notice shall set out expressly the actions required of the breaching Party to remedy the default. If such default is not corrected, the non-breaching Party shall have the right to terminate this Agreement by giving written notice to the Party in default provided the notice of termination is given within six (6) months of the default and prior to correction of the default.

11.4 Termination upon Bankruptcy

11.4.1 This Agreement shall automatically and immediately terminate without notice to Aradigm upon (a) the bankruptcy, liquidation or dissolution of Aradigm; (b) the filing of any voluntary petition for bankruptcy, dissolution, liquidation or winding-up of the affairs of Aradigm; or (c) the filing of any involuntary petition for bankruptcy, dissolution, liquidation or winding-up of the affairs of Aradigm which is not dismissed within one hundred twenty (120) days after the date on which it is filed or commenced.

11.4.2 This Agreement may be terminated by Aradigm by providing written notice to INEX upon (a) the bankruptcy, liquidation or dissolution of INEX; (b) the filing of any voluntary petition for bankruptcy, dissolution, liquidation or winding-up of the affairs of INEX; or (c) the filing of any involuntary petition for bankruptcy, dissolution, liquidation or winding-up of the affairs of INEX which is not dismissed within one hundred twenty (120) days after the date on which it is filed or commenced. Notwithstanding the bankruptcy of INEX, or the impairment of performance by INEX of its obligations under this Agreement as a result of bankruptcy of INEX, to the extent that INEX retains the rights necessary to grant the licenses granted in this Agreement, Aradigm shall be entitled to retain the licenses granted herein, subject to INEX's rights to terminate this Agreement as provided in this Agreement. Nothing in this Section shall limit Aradigm's rights arising under the consent by UBC to this Agreement.

11.5 Continuing Obligations/No Limitation on Remedies

Upon any termination of this Agreement pursuant to this Article 11, neither Party shall be relieved of any obligations incurred prior to such termination. Termination of the Agreement in accordance with the provisions hereof shall not limit remedies that may be otherwise available in law or equity.

11.6 Disposition of Licensed Product

Upon any termination of this Agreement pursuant to Sections 11.1, 11.2, 11.3 or 11.4, Aradigm shall within thirty (30) days after the effective date of such termination notify INEX in writing of the amount of Licensed Product which Aradigm, its Affiliates and Sublicensees then have completed on hand, the sale of which would, but for the termination, be subject to royalty, and Aradigm, its Affiliates and Sublicensees shall thereupon be permitted during the one (1) year following such termination to sell that amount of Licensed Product, provided that Aradigm shall pay the aggregate royalty thereon at the conclusion of the earlier of the last such sale or such one (1) year period. Except as otherwise agreed between the Parties in writing, all sublicenses granted by Aradigm shall forthwith terminate upon the termination of this Agreement.

11.7 Survival of Obligations; Return of Confidential Information

Notwithstanding any termination of this Agreement, the obligations of the Parties under Article 1, Sections 2.4.1(a), 2.4.2(b), 2.4.2(c), 2.4.2(d), 2.4.3, Article 7, Article 8, Article 9, Article 10, Article 11, Article 12, Article 13 and Article 14, as well as under any other provisions which by their nature are intended to survive any such termination, shall survive and continue to be enforceable. Upon any termination of this Agreement pursuant to Article 11, except as contemplated hereby, each Party shall promptly return to the other Party all written Confidential Information, and all copies thereof (except for one archival copy to be retained by a person designated by such Party (who shall not make such Confidential Information generally available to Representatives of such Party) for the purpose of confirming which information to hold in confidence hereunder), of the other Party which is not covered by a license surviving such termination. Aradigm shall deliver to INEX patent prosecution records related to the Licensed Patents in Aradigm's possession or control, if any.

11.8 Delivery of Data and Materials and License

Upon termination of this Agreement under Section 11.2, Section 11.3 by INEX for Aradigm's uncured material default, or Section 11.4.1:

11.8.1 Provided that INEX shall be responsible for any reasonable associated out-of-pocket costs associated with the following activities, Aradigm shall deliver to INEX a copy of the animal and human data and such other information, materials (including biological materials but excluding any AERx Devices or dosage forms) and documents in Aradigm's possession or control arising from the development of Licensed Product under this Agreement that INEX may reasonably require in order to obtain approval of applicable government regulatory agencies to market Licensed Product, except to the extent that such are related to the AERx Device or dosage forms. INEX may, directly or through a licensee, exploit such data, other information, materials (including biological materials) and documents to develop, make, have made, import, use, offer for sale and sell Licensed Product.

11.8.2 Aradigm shall also, within thirty (30) days after the effective date of such termination, use all reasonable endeavors to take all steps and execute all documents reasonably

necessary to assign and/or transfer or permit reference to (to the extent legally permissible in the relevant country) all regulatory filings and approvals arising from the development of Licensed Product under this Agreement in Aradigm's name or in the name of Aradigm's Representatives to INEX or its designee except to the extent that such regulatory filings are related to the AERx Device or dosage forms, provided that INEX shall be responsible for any reasonable associated out-of-pocket costs of transfer.

11.8.3 In the event that no such assignment and/or transfer and/or reference pursuant to 11.8.2 may legally be made, then Aradigm shall forthwith surrender such regulatory filings and approvals for cancellation.

11.8.4 Upon INEX's request, Aradigm shall within thirty (30) days after the effective date of such termination, deliver to INEX or its designee any and all documents relating to applications, regulatory filings and approvals in its possession or control arising from the development of Licensed Product that are reasonably required in order to obtain approval of applicable government regulatory agencies to market Licensed Product, except to the extent that such are related to the AERx Device or dosage forms, provided that INEX shall be responsible for any reasonable associated out-of-pocket costs of transfer.

11.8.5 Except to the extent set out in the last sentence of Section 11.8.1, Aradigm's transfer to INEX of any data, other information, materials (including biological materials) or documents shall not grant INEX any license or right (whether express, implied or by estoppel) in any Intellectual Property Rights owned or controlled by Aradigm.

Article 12 Indemnification and Liability Limitations

12.1 Indemnification by Aradigm

Aradigm hereby agrees that it shall be responsible for, indemnify, hold harmless and defend INEX and its Affiliates, and their respective Representatives, invitees, shareholders, partners, attorneys and accountants and their respective heirs, successors and assigns (collectively, the "INEX Indemnitees"), and UBC and its Affiliates and their respective Representatives, Board of Governors, faculty, students, invitees, managing members, partners, attorneys and accountants and their respective heirs, successors and assigns (collectively, the "UBC Indemnitees") from and against any and all claims, demands, losses, liabilities, damages, costs and expenses (including reasonable legal fees) (collectively, "Losses") suffered or incurred by any INEX Indemnitee or UBC Indemnitee arising out of, relating to, resulting from or in connection with any Third Party claims arising out of or relating to:

12.1.1 the breach of any representation or warranty made by Aradigm herein;

12.1.2 the default by Aradigm in the performance or observance of any of its obligations to be performed or observed hereunder;

12.1.3 the breach by Aradigm, its Affiliates or Sublicensees of any applicable laws, regulations and guidelines in connection with any Licensed Product or in the performance or observance of any of its obligations to be performed or observed hereunder;

12.1.4 the infringement of the Crown Identified Patents or any Intellectual Property Rights of any Third Party; and

12.1.5 any injury or death to any person or damage to any property caused by any Licensed Product provided by Aradigm, its Affiliates or Sublicensees, whether claimed by reason of breach of warranty, negligence, product defect or otherwise, and regardless of the form in which any such claim is made.

The foregoing shall not apply to the extent that such Losses are due to:

12.1.6 the breach of any representation or warranty made by INEX herein;

12.1.7 the default by INEX in the performance or observance of any of its obligations to be performed or observed hereunder; and

12.1.8 the breach by INEX of any applicable laws, regulations and guidelines in connection with any Licensed Product or in the performance or observance of any of its obligations to be performed or observed hereunder.

12.2 Indemnification by INEX

INEX hereby agrees that it shall be responsible for, indemnify, hold harmless and defend Aradigm and Aradigm's Affiliates, and their respective Representatives, invitees, shareholders, partners, attorneys and accountants and their respective heirs, successors and assigns (collectively, the "Aradigm Indemnitees"), and the UBC Indemnitees from and against any and all Losses suffered or incurred by any Aradigm Indemnitee or UBC Indemnitee arising out of, relating to, resulting from or in connection with any Third Party claims arising out of or relating to:

12.2.1 the breach of any representation or warranty made by INEX herein;

12.2.2 the default by INEX in the performance or observance of any of its obligations to be performed or observed hereunder; and

12.2.3 the breach by INEX of any applicable laws, regulations and guidelines in connection with any Licensed Product or in the performance or observance of any of its obligations to be performed or observed hereunder.

The foregoing shall not apply to the extent that such Losses are due to:

12.2.4 the breach of any representation or warranty made by Aradigm herein;

12.2.5 the default by Aradigm in the performance or observance of any of its obligations to be performed or observed hereunder;

12.2.6 the breach by Aradigm, its Affiliates or Sublicensees of any applicable laws, regulations and guidelines in connection with any Licensed Product or in the performance or observance of any of its obligations to be performed or observed hereunder; and

12.2.7 any injury or death to any person or damage to any property caused by any Licensed Product provided by Aradigm, its Affiliates or Sublicensees, whether claimed by reason of breach of warranty, negligence, product defect or otherwise, and regardless of the form in which any such claim is made.

12.3 Notice of Claims

In the event that a claim is made pursuant to Section 12.1 or 12.2 above against any person or entity which seeks indemnification hereunder (the "Indemnitee"), the Indemnitee shall give the indemnifying Party (the "Indemnitor") prompt notice of any claim or lawsuit or other action for which it seeks to be indemnified under this Agreement and agrees that the Indemnitor shall not have any obligation under the relevant Section unless:

12.3.1 the Indemnitor is granted, subject to the provisions of this Section 12.3 and the relevant provisions of Article 9, full authority and control over the defense, including settlement, against such claim or law suit or other action, and

12.3.2 the Indemnitee cooperates fully with the Indemnitor and its agents in defense of the claims or law suit or other action.

The Indemnitee shall have the right to participate in the defense of any such claim, complaint, suit, proceeding or cause of action referred to in this Section utilizing attorneys of its choice, at its own expense, provided however, that the Indemnitor shall, subject to the provisions of this Section 12.3 and the relevant provisions of Article 9, have full authority and control to handle any such claim, complaint, suit proceeding, or cause of action, including any settlement or other disposition thereof, for which the Indemnitee seeks indemnification under this Section, provided however, subject to the following sentence, that no settlement or consent judgment or other voluntary final disposition may be entered into without the consent of the Indemnitee if such settlement would require the Indemnitee to be subject to an injunction or to make a monetary payment or would restrict the claims in or admit any invalidity of any Licensed Patent(s) or significantly adversely affect the rights of the Indemnitee. The Parties further acknowledge that, where any final disposition of the litigation that will restrict the claims in or admit any invalidity of any Licensed Patent(s), any such disposition of the litigation requires the full consultation with and approval of UBC under the UBC License Agreement solely in respect of the Loading Patent(s).

12.4 Consequential Losses

EXCEPT FOR LIABILITY FOR INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS OR BREACH OF THE OBLIGATIONS RESPECTING CONFIDENTIAL INFORMATION, NO PARTY WILL BE LIABLE FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES OF ANY NATURE ARISING FROM SUCH PARTY'S ACTIVITIES UNDER THIS AGREEMENT; PROVIDED, HOWEVER, THAT THIS LIMITATION SHALL NOT LIMIT THE INDEMNIFICATION OBLIGATION OF SUCH PARTY UNDER SECTIONS 12.1 OR 12.2 FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES RECOVERED BY A THIRD PARTY.

12.5 Actions Between the Parties

For the avoidance of doubt, in connection with actions brought by one Party hereto against the other (whether for breach of any provisions hereof, any representation or warranty made herein or otherwise), each Party expressly reserves all of its rights and remedies under applicable law, including, without limitation, the right to sue for breach of contract.

12.6 Insurance

12.6.1 Prior to or immediately upon the start of any human clinical trials or other Licensed Product testing involving human subjects by Aradigm, its Affiliates or any Sublicensee ("Human Clinical Trials") and for a period of five (5) years after the expiration of this Agreement or the earlier termination thereof, Aradigm shall obtain and/or maintain, respectively, at its sole cost and expense, public liability, product liability and errors and omissions insurance in reasonable amounts, with a reputable and financially secure insurance carrier. Such product liability insurance shall insure against all liability, including personal injury, physical injury, or property damage arising out of the manufacture, sale, distribution, or marketing of Licensed Product in the Territory. Aradigm shall use reasonable efforts to ensure that any and all such policies of insurance required pursuant to this Section 12.6.1 shall contain a waiver of subrogation against the UBC Indemnitees. Aradigm shall provide written proof of the existence of such insurance to INEX upon request.

12.6.2 Aradigm shall require that each Sublicensee under this Agreement shall either:

(a) demonstrate to Aradigm's reasonable satisfaction that such Sublicensee has a program of self insurance no less adequate than that which a reasonable and prudent businessperson carrying on a similar line of business would require; or

(b) sixty (60) days prior to the earlier of the start of Human Clinical Trials or the first sale of any Licensed Product by such Sublicensee, procure and maintain public liability, product liability and errors and omissions insurance in reasonable amounts, with a reputable and financially secure insurance carrier. Aradigm shall use reasonable efforts to ensure that any and all such policies of insurance required pursuant to this Section 12.6.2(b) shall contain a waiver of subrogation against the UBC Indemnitees.

Article 13 Dispute Resolution

13.1 Negotiation

If a dispute or controversy regarding any right or obligation under this Agreement arises between the Parties, the Parties will seek to resolve such dispute or controversy or failure to agree by good faith negotiation between senior management representatives of the Parties, to be commenced promptly after such dispute or controversy or failure to agree arises. If such dispute or controversy or failure to agree is not resolved by such negotiation within thirty (30) days after written notice by one Party to the other, and at least one Party requires such resolution, then the Parties shall proceed as follows. Any unresolved dispute, controversy, action, claim or proceeding initiated by either Party (other than a Third Party action, claim or other proceeding in a bona fide action, claim or other proceeding initiated by a Third Party against a Party) relating to, arising out of or resulting from this Agreement, or the performance by either Party of its obligations hereunder, or any alleged breach, termination or invalidity of this Agreement, whether before or after termination or expiration of this Agreement, shall be finally resolved by binding arbitration pursuant to Section 13.2.

13.2 Arbitration

In the event of any unresolvable dispute, difference, or question arising between the Parties in connection with this Agreement or any clause or the construction thereof, or the rights, duties or liabilities of either Party, or the scope or validity of any patent licensed hereunder, the matter shall be submitted for arbitration in accordance with the rules of the American Arbitration Association. Arbitration shall take place in Seattle, Washington or as otherwise agreed by the Parties. A single arbitrator shall be appointed by agreement of the Parties to resolve all such disputes, differences or questions. The arbitrator shall be guided by the contents of this Agreement in arriving at a decision to resolve the dispute, but may rely on extrinsic evidence where appropriate and/or necessary. The Parties shall share the cost of the arbitration unless, in the arbitrator's opinion, the position advanced by one of the Parties, or the nature or manner of presenting it, is such that it would be unfair to so apportion such expenses, in which case the arbitrator may apportion such expenses differently. In cases where validity or scope of a patent is in issue, either Party shall have the right to elect to have the arbitration conducted by three arbitrators, each Party selecting one and those arbitrators selecting the third.

Article 14 Miscellaneous

14.1 Assignment

This Agreement and the licenses herein granted shall be binding upon and inure to the benefit of the successors in interest of the respective parties. Except as otherwise provided in this Agreement, neither this Agreement nor any of the rights or obligations hereunder may be assigned by either Party without the prior written consent of the other Party, except either Party may assign this Agreement or any of the rights or obligations hereunder to an Affiliate or to a Third Party with which a Party may merge or consolidate, or to which it may transfer all or substantially all of its assets to which this Agreement relates, without obtaining the prior written consent of the other Party.

14.2 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

14.3 Force Majeure

In the event that either Party is prevented from performing or is unable to perform any of its obligations under this Agreement due to any act of God; fire; casualty; flood; war; strike; lockout; failure of public utilities; injunction or any act, exercise, assertion or requirement of governmental authority; epidemic; destruction of production facilities; riots; insurrection; inability to procure or use materials, labor, equipment, transportation or energy; or any other cause beyond the reasonable control of the Party invoking this Section 14.3 if such Party shall have used its reasonable efforts to avoid such occurrence, such Party shall give notice to the other Party in writing promptly, and thereupon the affected Party's performance shall be excused and the time for performance shall be extended for the period of delay or inability to perform due to such occurrence.

14.4 Further Assurances

Each Party hereto agrees to execute, acknowledge and deliver such further instruments and do all such further acts as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

14.5 International Sale of Goods Act

The Parties acknowledge and agree that the International Sale of Goods Act and the United Nations Convention on Contracts for the International Sale of Goods have no application to this Agreement.

14.6 Modification

No waiver, alteration or modification of any of the provisions hereof shall be binding unless made in writing and signed by the Parties by their respective officers thereunto duly authorized.

14.7 No Agency

Nothing herein shall be deemed to constitute either Party as the agent or representative of the other Party, or both Parties as joint venturers or partners for any purpose. INEX shall be an independent contractor, not an employee or partner of Aradigm, and the manner in which INEX renders its services under this Agreement shall be within INEX's sole discretion. Neither Party shall be responsible for the acts or omissions of the other Party, and neither Party will have authority to speak for, represent or obligate the other Party in any way without prior written authority from the other Party.

14.8 Non-Use of Names

Neither Party shall use the name of the other Party, nor any adaptation thereof, in any advertising, promotional or sales literature without prior written consent obtained from such other Party in each case (which consent shall not be unreasonably withheld or delayed).

14.9 Notices

Any notice or other communication in connection with this Agreement must be in writing and if by mail, by registered mail, return receipt requested, and shall be effective when delivered to the addressee at the address listed below or such other address as the addressee shall have specified in a notice actually received by the addressor.

If to INEX:

INEX Pharmaceuticals Corporation
100-8900 Glenlyon Parkway
Burnaby, B.C. V5J 5J8
Canada

Fax: (604) 419-3202
Attention: Director, Business Development

If to Aradigm:

Aradigm Corporation
3929 Point Eden Way
Hayward, CA 94545
USA

Fax: (510) 265-9217
Attention: Chief Financial Officer

14.10 Publicity

Except as required by law, stock exchange or regulatory authority:

14.10.1 neither Party, nor any of its Affiliates, shall originate any publicity, news release or other public announcement, written or oral, relating to this Agreement or the existence of an arrangement between the Parties, without the prior written approval of the other Party and agreement upon the nature and text of such announcement or disclosure, which approval shall not be unreasonably withheld; and

14.10.2 the Party desiring to make any such public announcement or other disclosure shall inform the other Party of the proposed announcement or disclosure in reasonably sufficient time prior to public release, and shall provide the other Party with a written copy thereof, in order to allow such other Party to comment upon such announcement or disclosure.

14.11 Third Parties

None of the provisions of this Agreement shall be for the benefit of or enforceable by any Third Party.

14.12 Waiver

The waiver by either Party of a breach or a default of any provision of this Agreement by the other Party shall not be construed as a waiver of any succeeding breach of the same or any other provision, nor shall any delay or omission on the part of either Party to exercise or avail itself of any right, power or privilege that it has or may have hereunder operate as a waiver of any right, power or privilege by such Party.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as a sealed instrument in their names by their properly and duly authorized officers or representatives.

INEX PHARMACEUTICALS CORPORATION

By: /s/ D.J. Main

Name: D.J. Main

Title: CEO

ARADIGM CORPORATION

By: /s/ V. Bryan Lawlis

Name: V. Bryan Lawlis

Title: President & CEO

Exhibit 1.1.9: [*]

Country	*Patent No.*	*Title*
[*]	[*]	[*]

***Confidential Treatment Requested.**

Exhibit 1.1.23: [*]

***Confidential Treatment Requested.**

Exhibit 1.1.36: [*]

***Confidential Treatment Requested.**

Exhibit 4.7

* Confidential Treatment has been requested for the marked portions of this exhibit pursuant to Rule 24B-2 of the Securities Exchange Act of 1934, as amended.

SETTLEMENT AGREEMENT

This Settlement Agreement ("Settlement Agreement" or "Agreement") sets forth the terms upon which Sirna Therapeutics, Inc. (SIRNA) and Merck & Co., Inc. ("MERCK & CO") and Protiva Biotherapeutics Inc. and Protiva Biotherapeutics (USA), Inc. (collectively "PROTIVA") agree to settle the litigations pending both before the Superior Court of California, San Francisco County, captioned *Protiva Biotherapeutics, Inc. et. al. v. Sirna Therapeutics, Inc., Case No. CGC-06-450694* and before the United States District Court For The Northern District of California, captioned *Sirna Therapeutics, Inc. v. Protiva Biotherapeutics, Inc. and Mark J. Murray, Case No. C-06-1361 (MMC)* (collectively the "Litigation"). SIRNA, MERCK & CO and PROTIVA are individually referred to in this Agreement as a "Party" and collectively as the "Parties". This Agreement shall be effective as of October 9, 2007 ("Effective Date").

BACKGROUND

SIRNA and PROTIVA entered into a Strategic Alliance Agreement ("SAA") dated February 1, 2005 and a Materials Transfer Agreement dated April 6, 2004 which was modified in an Amended and Restated Materials Transfer Agreement ("MTA") dated October 1, 2004 (collectively the "Prior Agreements"). The disputes that resulted in the Litigation arose from the relationships established and the activities undertaken by the Parties since the inception of these agreements. The Parties wish to completely settle their disputes and the Litigation with this Settlement Agreement.

In consideration of the mutual promises contained herein and any other good and valuable consideration, the adequacy of which is hereby acknowledged, the Parties hereto agree:

1. DEFINITIONS

1.1 "**Additional Contested Claims**" shall have the meaning set forth in Section 6.4.3.

1.2 "**Affiliate**" shall mean (i) any corporation or business entity of which fifty percent (50%) or more of the securities or other ownership interests representing the equity, the voting stock or general partnership interest are owned, controlled or held, directly or indirectly, by a Party; or (ii) any corporation or business entity which, directly or indirectly, owns, controls or holds fifty percent (50%) (or the maximum ownership interest permitted by law) or more of the securities or other ownership interests representing the equity, the voting stock or, if applicable, the general partnership interest, of a Party; or (iii) any corporation or business entity of which fifty percent (50%) or more of the securities or other ownership interests representing the equity, the voting stock or general partnership interest are owned, controlled or held, directly or indirectly, by a corporation or business entity described in (i) or (ii).

1.3 "**Anniversary Date**" shall mean the date that is one year after the Effective Date.

1.4 [*].

1.5 "**Collaboration Patent Rights**" shall mean any claims of any patents and patent applications that as a result of the inventorship determination in Section 6 become either PROTIVA Patent Rights, PROTIVA Designated Patent Rights or Joint Patent Rights.

1.6 "**Compound**" shall mean a nucleic acid molecule whether now known or hereafter discovered or created including but not limited to short interfering nucleic acid (siNA), short interfering RNA (siRNA), double-stranded RNA (dsRNA), micro-RNA (miRNA), and short hairpin RNA (shRNA) molecules.

1.7 "**Contested Claims**" shall mean the Additional Contested Claims, Initial Contested Claims and the Other Contested Claims.

1.8 "**Control**", "**Controls**" or "**Controlled by**" shall mean with respect to any item of or right under PROTIVA Patent Rights or PROTIVA Know-How, the possession of (whether by ownership or license, other than pursuant to this Agreement) or the ability of PROTIVA to grant access to, or a license or sublicense of, such items or right as provided for herein without violating the terms of any agreement or other arrangement with any third party existing at the time PROTIVA would be required hereunder to grant to MERCK such access or license or sublicense.

1.9 "**Covered Product**" shall mean a Product which the manufacture, use or sale of would infringe a Valid Patent Claim in the country where the use or sale occurs but for (i) the licenses granted herein, (ii) their being conducted by a co-owner of the relevant patent in such country, and/or (iii) any statutory exemptions from infringement such as 35 USC § 271 (e).

1.10 " **Disputed Applications**" shall mean the [*].

1.11 "**Field**" shall mean any therapeutic, diagnostic, prophylactic or other commercial use or commercial application of any LNP Formulation, Compound or Product that is directed against any target outside of the Restricted Field; provided however, that Field shall not include any therapeutic, diagnostic, prophylactic or other commercial use or commercial application of LNP Formulations to deliver [*].

1.12 "**IND**" shall mean shall mean an Investigational New Drug application for approval to conduct human clinical investigations filed with or submitted to the US Food and Drug Administration ("FDA"), or any equivalent filing or application made with the European Medicines Evaluation Agency or any successor agency or any similar regulatory authority in a Major Market Country.

1.13 "**INEX Litigation**" shall mean the case pending before the Supreme Court of British Columbia filed on or about March 24, 2006 and captioned *Protiva Biotherapeutics Inc. v. Inex Pharmaceuticals Corporation, Timothy Ruane, David Main, Dr. Pieter Cullis and Darrell Elliot (No. S061992 Vancouver Registry)* and any litigation in any other forum at anytime based on the same or similar legal grounds.

***Confidential Treatment Requested.**

1.14 "**Initial Contested Claims**" shall mean any patent claims identified by PROTIVA under Section 6.1.6 in the Disputed Applications.

1.15 "**Joint Patent Rights**" shall have the meaning set forth in Section 6.2.3 herein.

1.16 "**LNP Formulation**" shall mean a delivery formulation that has one or more lipid components.

1.17 "**Major Market Country**" shall mean any of the United Kingdom, France, Germany, Italy, Spain or Japan.

1.18 "**MERCK**" shall mean MERCK & CO and SIRNA collectively.

1.19 "**MERCK Patent Rights**" shall mean any patents or patent applications to the extent containing Initial Contested Claims and/or Other Contested Claims that:

(i) are determined in accordance with Sections 6.1.1 through 6.1.12 to be invented solely by persons obligated to assign inventions to MERCK and/or its Affiliates; and

(ii) relate solely to delivery vehicles or formulations, whether or not such claims relate to delivery vehicles or formulations in the general context of delivering compounds.

For avoidance of doubt, MERCK Patent Rights shall not include:

(x) any patents or patent applications to the extent containing any Additional Contested Claims; or

(y) any patents or patent applications to the extent containing Initial Contested Claims and/or Other Contested Claims so determined to be invented solely by persons who were, at the time such invention was made, obligated to assign inventions to MERCK and/or its Affiliates which are directed to nucleic acids alone and/or delivery vehicles or formulations together with nucleic acids other than in the general context of delivering compounds.

1.20 "**NDA**" shall mean a New Drug Application or Biologics License Application filing pursuant to the United States Federal Food, Drug and Cosmetic Act, 21 U.S.C. §§ 301 et seq., and/or the Public Health Service Act, 42 U.S.C. §§ 262 et seq., as such may be amended from time to time, or any equivalent filing or application seeking marketing approval for a Product made with the European Medicines Evaluation Agency or any successor agency or any similar regulatory authority in a Major Market Country.

1.21 "**Net Sales**" shall mean the gross invoice price (not including value added taxes, sales taxes, or similar taxes) of Product sold by MERCK or its Affiliates to the first third party after deducting, if not previously deducted, from the amount invoiced or received:

1.21.1 trade and quantity discounts other than early payment cash discounts;

1.21.2 returns, rebates, chargebacks and other allowances;

1.21.3 retroactive price reductions that are actually allowed or granted;

1.21.4 sales commissions paid to third party distributors and/or selling agents;

1.21.5 a fixed amount equal to [*] of the amount invoiced to cover bad debt, early payment cash discounts, transportation and insurance and custom duties; and

1.21.6 the standard inventory cost of delivery devices used for dispensing or administering Product.

1.22 "**Other Contested Claims**" shall have the meaning set forth in Section 6.4.2.

1.23 "**Phase II Clinical Trial**" shall mean a human clinical trial in any country intended to satisfy standards that would meet the requirements of 21 CFR 312.21(b).

1.24 "**Phase III Clinical Trial**" shall mean a human clinical trial in any country intended to satisfy standards that would meet the requirements of 21 CFR 312.21(c).

1.25 "**Product**" shall mean a pharmaceutical composition containing Compound, or containing Compound and a LNP Formulation; whether or not including any other active ingredients or excipients.

1.26 "**PROTIVA Designated Patent Rights**" shall mean any and all claims in patents and patent applications in PROTIVA Patent Rights but specifically excluding any claims in those patents or patent applications that meet any one or more of the following criteria:

(i) such claim requires as an element of the claim a cationic lipid described in Schedule 1.26(i);

(ii) such claim requires as an element of the claim a PEG-lipid described in Schedule 1.26(ii);

(iii) such claim requires a specific Compound against a PROTIVA Reserved Target; or

(iv) the subject matter of such claim was first contained in an application with a filing date after the Effective Date.

1.27 "**PROTIVA IP**" shall mean PROTIVA Patent Rights and PROTIVA Know-how.

1.28 "**PROTIVA Know-how**" shall mean all information and material which is or ever was Controlled by PROTIVA up to the Effective Date including but not limited to, discoveries, improvements, processes, methods, protocols, formulas, data, inventions, know-how and trade secrets, patentable or otherwise and specifically including but not limited to the alleged trade secrets and information at issue in the Litigation.

***Confidential Treatment Requested.**

1.29 "**PROTIVA Patent Rights**" shall mean any and all claims in patents and patent applications (which for the purpose of this Agreement shall be deemed to include certificates of invention and applications for certificates of invention) in the Territory which claims meet all of the following criteria:

(i) they are Controlled by PROTIVA; and

(ii) they are in patents or patent applications which were filed on or before, or claim priority back to a date on or before, the Anniversary Date, including divisionals, continuations, continuations-in-part, reissues, renewals, substitutions, registrations, re-examinations, revalidations, extensions, supplementary protection certificates, and the like of any such patents and patent applications, and foreign equivalents of the foregoing,

including, but not limited to, those listed on Schedule 1.29; provided, however, that the PROTIVA Patent Rights will not include any claims in patents or patent applications, or rights with respect thereto, that are:

(x) both (a) not listed on Schedule 1.29 and (b) Controlled by PROTIVA by reason of a license or other right granted to PROTIVA by Alnylam Pharmaceuticals, Inc., under any agreement or agreements, whether dated prior to, on, or following the Effective Date or by reason of a license or other right granted to PROTIVA by Tekmira Pharmaceutical Corporation after the Effective Date; or

(y) to a specific Compound against a target and the subject matter of the claim(s) was first contained in an application with a filing date after the Effective Date; or

(z) claims that were first contained in, or that are derived from and claim priority to [*].

1.30 "**PROTIVA Reserved Target**" shall mean [*] and any PROTIVA Potential Reserved Target chosen in accordance with Section 4.4. More detailed information about the respective genes is attached as Schedule 1.30.

1.31 "**PROTIVA Potential Reserved Target**" shall mean [*]. More detailed information about the respective genes is attached as Schedule 1.31.

1.32 "**Retained Litigation Documents**" shall mean and include: (i) any deposition testimony taken in the Litigation and any documents marked as exhibits in such depositions; and (ii) any testimony by declaration or sworn affidavit including any documents identified as exhibits to such declarations or affidavits.

1.33 "**Restricted Field**" shall mean any therapeutic, diagnostic, prophylactic or other commercial use or commercial application of any LNP Formulation, Compound or Product that is specifically directed against any PROTIVA Reserved Target; provided however, that Restricted Field shall not include any therapeutic, diagnostic, prophylactic or other commercial use or commercial application of LNP Formulations to deliver [*].

***Confidential Treatment Requested.**

1.34 "**SIRNA Patent Rights**" shall mean any patent or patent application in the Territory that claims a right of priority to a Disputed Application.

1.35 "**Territory**" shall mean all countries of the world.

1.36 "**Valid Patent Claim**" shall mean any claim in an issued and unexpired patent within the PROTIVA Patent Rights or Collaboration Patent Rights, which has not been held unenforceable, unpatentable or invalid by a decision of a court or other governmental agency of competent jurisdiction, which decision is unappealable or unappealed within the time allowed for appeal, and which has not been abandoned, disclaimed, dedicated to the public or otherwise been admitted by the holder of the patent to be invalid or no longer enforceable through reissue, reexamination, or disclaimer or otherwise.

2. DISMISSAL

PROTIVA, with the intention of binding itself, its successors, assigns, and Affiliates does hereby irrevocably release MERCK from any obligation to comply with the preliminary injunction order issued by the Superior Court of California, San Francisco County on March 20, 2007 and shall take immediate steps to have the injunction order dissolved. Within three (3) business days of the Effective Date of this Settlement Agreement and simultaneously with receipt of payment from MERCK & CO under Section 5.1, the Parties shall file with the respective courts a Request For Dismissal with prejudice of all claims and counterclaims in the Litigation by filing a Stipulation And Order Of Dismissal in the form attached hereto as Schedules 2-A and 2-B. Each Party will appear in court, perform all acts, sign all necessary documents and cooperate with each other as necessary to facilitate such dismissal of the claims.

3. RELEASES

3.1 PROTIVA, with the intention of binding itself, its successors, assigns and Affiliates, does hereby irrevocably release and forever discharge, and agrees not to assert or to assist any third party in asserting any action, claim, liability or demand against, MERCK and its Affiliates, successors, predecessors, directors, officers, partners, employees, customers, agents, and all those acting in privity or concert with any of them, from and with respect to any and all claims PROTIVA had or may have had against MERCK, on or before the Effective Date, whether those causes of action are known or unknown to PROTIVA, arising out of or relating to the receipt, use or disclosure of PROTIVA IP or MERCK's representations, warranties or performance under, or breach of, the Prior Agreements, including any and all claims and counterclaims that were or could have been asserted by PROTIVA in the Litigation or that could have been asserted by PROTIVA based upon the allegations of the Complaints and Amended Complaints or Counterclaims of PROTIVA in the Litigation.

3.2 MERCK, with the intention of binding itself, its successors, assigns and its majority-owned Affiliates does hereby irrevocably release and forever discharge, and agrees not to assert or to assist any third party in asserting any action, claim, liability or demand against, PROTIVA and its Affiliates, successors, predecessors, directors, officers, partners, employees, customers, agents all those acting in privity or concert with any of

them, from and with respect to any and all claims that MERCK had or may have had on or before the Effective Date arising out of or relating to PROTIVA's representations, warranties or performance under, or breach of, the Prior Agreements, including any and all claims and counterclaims that were or could have been asserted by MERCK in the Litigation or that could have been asserted by MERCK based upon the allegations of the Complaints and Amended Complaints or Counterclaims of MERCK in the Litigation.

3.3 With respect to PROTIVA Know-how, PROTIVA covenants not to sue MERCK, its Affiliates, successors, predecessors, directors, officers, partners, employees, customers, agents, and all those acting in privity or concert with any of them for any past or future use of PROTIVA Know-how for any purpose.

3.4 With respect to PROTIVA Patent Rights, PROTIVA covenants not to sue MERCK, its Affiliates (or any of their bona fide collaborators, with respect only to research and/or development within the scope of such collaboration) for any research and/or development activity in the Territory after the Effective Date.

3.5 For the avoidance of doubt, subject to Section 6.1.1, the Parties acknowledge that none of them intend hereby to waive any existing protective order issued in connection with the Litigation or to release any right (i) to raise any matter, fact, theory, or argument on inventorship to the Patent Expert in connection with the process described in Section 6 or (ii) to claim or assert in any forum that any patent claim Controlled by the other Party is invalid or unenforceable.

3.6 The Parties hereto specifically understand, acknowledge, and agree that this is a full and final release of all claims described herein, whether known or unknown, and whether or not included in the pleadings of the Litigation. Each Party therefore hereby expressly and voluntarily waives all rights or benefits which such Party might otherwise have under California Civil Code Section 1542, which provides:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected the settlement with the debtor."

Each of the Parties further expressly and voluntarily waive any substantially similar or equivalent statutory, common law, or equitable rights or benefits arising under the laws of any other jurisdiction.

4. LICENSES

4.1 PROTIVA grants MERCK a non-exclusive license in the Territory under PROTIVA Patent Rights and Collaboration Patent Rights for any and all purposes in the Field, including but not limited to: to make, have made, use, offer to sell, sell or import LNP Formulations, Compound and Product(s) (subject to the exclusions stated in Section 1.11 with respect to [*]. MERCK shall have the right to grant sublicenses under the license in this Section 4.1 to MERCK's Affiliates but not otherwise.

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4.2 PROTIVA grants MERCK a non-exclusive license in the Territory under PROTIVA Designated Patent Rights and Collaboration Patent Rights for any and all purposes in the Restricted Field, including but not limited to: to make, have made, use, offer to sell, sell or import LNP Formulations, Compound and Product(s) (subject to the exclusions stated in Section 1.33 with respect to [*]. MERCK shall have the right to grant sublicenses under the license in this Section 4.2 to MERCK's Affiliates but not otherwise.

4.3 With respect to PROTIVA Patent Rights which PROTIVA either (i) first obtains Control over during the period between the Effective Date and the Anniversary Date or (ii) is a patent application that was filed during the period between the Effective Date and the Anniversary Date and does not claim priority to an application filed before the Effective Date, PROTIVA will promptly disclose such patent or patent application to MERCK in writing following the publication of such patent or patent applications in the Territory and MERCK shall have the option to decline a license under such PROTIVA Patent Rights. MERCK shall notify PROTIVA in writing of its election within sixty (60) days of receipt of PROTIVA's notice.

4.4 At any time or times during the period between the Effective Date and the Anniversary Date, PROTIVA may designate, by written notice to MERCK, a PROTIVA Potential Reserved Target to be a PROTIVA Reserved Target, provided however, that PROTIVA may designate no more than a total of [*] PROTIVA Potential Reserved Targets during this Agreement.

4.5 MERCK grants to PROTIVA a non-exclusive, perpetual, royalty-free, paid-up license, with right to grant sublicenses in one or more tiers, in the Territory under MERCK Patent Rights to make, have made, use, offer to sell, sell or import LNP Formulations, alone or combined with one or more active ingredients and/or inert ingredients.

4.6 No Party is granting rights by implication or otherwise to any other patents owned or Controlled by that Party. Each Party reserves the right to enforce against the other Parties any patents not expressly included in the license grants under this Section 4.

5. PAYMENTS

5.1 Payments in Settlement. In consideration of PROTIVA's agreement to grant the releases provided for in this Agreement and other valuable consideration, MERCK shall pay up to [*] to Protiva Biotherapeutics Inc., as follows:

(i) MERCK will, within [*] of the Effective Date of this Settlement Agreement, pay Protiva Biotherapeutics Inc. on a [*] (the "Initial Payment"), and

(ii) contingent on the occurrence of the events described in Section 5.1.1 and 5.1.2, MERCK will be obligated to pay Protiva Biotherapeutics Inc. up to an additional [*].

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5.1.1 Conditional Payments. Subject to the terms and conditions of this Agreement and Section 5.4 below, MERCK shall pay to Protiva Biotherapeutics Inc. the following conditional payments:

(a) [*]; and

(b) [*].

5.1.2 Each of the conditional payments set forth in Sections 5.1.1(a) and (b) shall be paid, if ever, only once under this Settlement Agreement. MERCK shall notify PROTIVA in writing within [*] days following the satisfaction of the respective event described, and shall make the appropriate conditional payment within [*] days after the occurrence of such event.

5.2 License Payments. In consideration of PROTIVA's agreement to grant the licenses provided for in Section 4 and subject to the terms and conditions of this Agreement, MERCK will pay Protiva Biotherapeutics Inc. the following milestone payments and the royalties provided for in Section 5.5:

5.2.1 [*];

5.2.2 [*];

5.2.3 [*];

5.2.4 [*].

5.3 In the event that a Product activity does not trigger a conditional payment or a milestone payment under Section 5.1.1 or 5.2 because at the time the activity occurred such Product did not meet the definition of a "Covered Product," but, at a later date, (i) due to the issuance of a patent, such Product does meet the definition of a "Covered Product," and (ii) MERCK is continuing the clinical development of or is selling the Product, then MERCK shall pay the corresponding conditional payment or milestone payment within thirty (30) days of notice by PROTIVA that the patent has issued.

5.4 For the purposes of Sections 5.1.1 and 5.2, any activity or event anywhere in the world with respect to a Product shall be deemed to be such an activity or event with respect to a Covered Product if such Product is then (or thereafter becomes, as described in Section 5.3) a Covered Product in the United States.

5.5 Royalties.

5.5.1 Royalties Payable By MERCK. Subject to the terms and conditions of this Agreement, MERCK shall pay Protiva Biotherapeutics Inc. royalties, calculated on a Product-by-Product basis, as set forth in this Section 5.5.

MERCK shall pay Protiva Biotherapeutics Inc. royalties in an amount equal to [*] of Net Sales of Covered Products by MERCK or its Affiliates.

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All royalties are subject to the following conditions:

(i) that only one royalty shall be due with respect to the same unit of Covered Product;

(ii) that no royalties shall be due upon the sale or other transfer among MERCK or its Affiliates, but in such cases the royalty shall be due and calculated upon MERCK's or its Affiliate's Net Sales to the first independent third party;

(iii) no royalties shall accrue on the sale or other disposition of Covered Product by MERCK or its Affiliates for use in a clinical trial; and

(iv) no royalties shall accrue on the disposition of Covered Product in reasonable quantities by MERCK or its Affiliates as samples (promotional or otherwise) or as donations (for example, to non-profit institutions or government agencies for a non-commercial purpose).

5.5.2 Change in Sales Practices. The Parties acknowledge that during the term of this Agreement, MERCK's sales practices for the marketing and distribution of its products generally may change to the extent that the calculation of the payment for royalties on Net Sales may become impractical or even impossible. In such event the Parties agree to meet and discuss in good faith new ways of compensating PROTIVA to the extent currently contemplated under Section 5.5.1.

5.5.3 Royalties for Bulk Goods. In those cases in which MERCK sells bulk LNP Formulation containing a Compound rather than Covered Product in packaged form to an independent third party, the royalty obligations of this Section 5.5 shall be applicable to the bulk LNP Formulation containing Compound.

5.6 Reports; Payment of Royalty. During the term of this Agreement following the first commercial sale of a Product, MERCK shall furnish to PROTIVA a quarterly written report for the calendar quarter showing the Net Sales of all Products subject to royalty payments sold by MERCK and its Affiliates in the Territory during the reporting period and the royalties payable under this Agreement. Reports shall be due on the [*] day following the close of each calendar quarter. Royalties shown to have accrued by each royalty report shall be due and payable on the date such royalty report is due. MERCK shall keep complete and accurate records in sufficient detail to enable the royalties payable hereunder to be determined.

5.7 Late Payments. MERCK will be liable to Protiva Biotherapeutics Inc. for interest on overdue royalties or other amounts payable hereunder, commencing on the date such amounts become due and ending upon payment of such amounts, at an annual rate of [*] as quoted from time to time during such period by the head office of the Royal Bank of Canada, or the maximum legal rate, whichever is less.

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5.8 Audits.

5.8.1 Upon the written request of PROTIVA and not more than once in each calendar year, MERCK shall permit, and shall cause its sublicensed Affiliates to permit, an independent certified public accounting firm of nationally recognized standing selected by PROTIVA and reasonably acceptable to MERCK, at PROTIVA's expense, to have access during normal business hours to such of the records of MERCK and its sublicensed Affiliates as may be reasonably necessary to verify the accuracy of the royalty reports hereunder for any calendar year ending not more than [*] months prior to the date of such request. The accounting firm shall disclose to PROTIVA only whether the royalty reports are correct or incorrect and the amount of any discrepancy. No other information shall be provided to PROTIVA.

5.8.2 If such accounting firm correctly identifies a discrepancy made during such period, the appropriate Party shall pay the other Party the amount of the discrepancy within [*] days of the date PROTIVA delivers to MERCK such accounting firm's written report so correctly concluding, or as otherwise agreed upon by the Parties. The fees and expenses charged by such accounting firm shall be paid by PROTIVA, unless there was a discrepancy in MERCK's favor of more than [*], in which case MERCK shall pay, or reimburse PROTIVA for, all such fees and expenses.

5.8.3 MERCK shall include in each sublicense granted by it pursuant to this Agreement a provision requiring the sublicensee to make reports to MERCK, to keep and maintain records of sales made pursuant to such sublicense and to grant access to such records by PROTIVA's independent accountant to the same extent required of MERCK under this Agreement.

5.8.4 Upon the expiration of [*] months following the end of any calendar year, the calculation of royalties payable with respect to such calendar year shall be binding and conclusive upon PROTIVA, and MERCK and its Affiliates shall be released from any liability or accountability with respect to royalties for such calendar year, unless PROTIVA shall have, prior to that time, made a timely request for an audit of such calculations for that period pursuant to this Section 5.8.

5.8.5 PROTIVA shall treat all financial information subject to review under this Section 5.8 or under any sublicense agreement in accordance with the confidentiality and non-use provisions of this Agreement, and shall cause its accounting firm to enter into an acceptable confidentiality agreement with MERCK and/or its Affiliates obligating it to retain all such information in confidence pursuant to such confidentiality agreement.

5.9 Payment Method and Exchange Rate. All payments to be made by MERCK to PROTIVA under this Agreement shall be made in United States dollars and unless otherwise directed by Protiva Biotherapeutics Inc. in writing, all payments under this Section 5 shall be made by wire transfer using the following payment information:

[*]

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All payments made under this Section 5 shall be made in the amounts specified herein without any deduction for bank fees or other bank charges. In the case of sales outside the United States, the rate of exchange to be used in computing the monthly amount of currency equivalent in United States dollars due PROTIVA shall be made at the monthly rate of exchange utilized by MERCK in its worldwide accounting system, prevailing on the third to the last business day of the month preceding the month in which such sales are recorded by MERCK.

5.10 Income Tax Withholding. If applicable laws, rules or regulations require withholding of income or other taxes imposed upon any payments made by MERCK to PROTIVA under Section 5 of the Settlement Agreement, MERCK shall make such withholding payments as may be required and shall subtract such withholding payments from such payments. MERCK shall submit appropriate proof of payment of the withholding taxes to PROTIVA within a reasonable period of time. MERCK shall promptly provide PROTIVA with the official receipts. MERCK shall render PROTIVA reasonable assistance in order to allow PROTIVA to obtain the benefit of any present or future treaty against double taxation which may apply to such payments. If MERCK had a duty to withhold taxes in connection with any payment it made to PROTIVA under the Agreement but MERCK failed to withhold, and such taxes were assessed against and paid by MERCK, then PROTIVA will reimburse MERCK for such taxes (including interest). If MERCK makes a claim under this section, it will comply with the obligations imposed by this section as if MERCK had withheld taxes from a payment to PROTIVA.

5.11 Certain Defaults. If MERCK is at any time in default of any of MERCK's payment or reporting obligations under this Section 5 and MERCK fails to cure all of such defaults within [*] days after notice from PROTIVA specifying the default, PROTIVA will be entitled to sue MERCK in any court of competent jurisdiction for PROTIVA's damages and interest, and, should PROTIVA prevail, to seek from the court its costs and expenses of collection (including reasonable attorneys' and experts' fees and other expenses of litigation or preparation) to which it may be entitled, but, in such situations, except where MERCK has failed to pay the Initial Payment as and when required in Section 5.1. PROTIVA's remedy shall be limited to monetary compensation and/or specific performance and, subject to Section 5.12, shall in no event include termination of any of MERCK's license rights under Section 4.

5.12 Patent Challenges. PROTIVA shall have the right, upon written notice to MERCK, to terminate MERCK's license under Sections 4.1 and 4.2 to the extent applicable to any PROTIVA Patent Right, PROTIVA Designated Patent Right, or Collaboration Patent Right if MERCK or any of its Affiliates shall (a) commence or participate in any action or proceeding (including, without limitation, any patent opposition or re-examination proceeding), or otherwise assert in writing any claim, challenging or denying the validity of such PROTIVA Patent Right, PROTIVA Designated Patent Right, or Collaboration Patent Right or any claim thereof or (b) actively assist any other person or entity in bringing or prosecuting any action or proceeding (including, without limitation, any patent opposition or re-examination proceeding) challenging or denying the validity of any of such PROTIVA Patent Right, PROTIVA Designated Patent Right, or Collaboration Patent Right or any claim thereof.

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6. INVENTORSHIP DETERMINATION

6.1 [*]. The Parties will submit to the following procedure for the determination of proper inventorship:

6.1.1 [*]. The Parties will meet and confer as needed within the sixty (60) day period following the Effective Date to attempt to resolve the inventorship of the Disputed Applications. MERCK shall undertake a good faith review of the Disputed Applications and other SIRNA Patent Rights and may abandon an application(s) or amend the specification(s) and/or amend, delete and/or introduce new claims in such applications. Prior to the meeting, MERCK shall provide PROTIVA with copies of the then existing claims of the Disputed Applications and at its discretion a description of any other relevant changes that MERCK has made in other relevant MERCK patents or patent applications including identifying any subject matter it proposes not to pursue in future patent claims. Any agreed resolution of the inventorship of claims in either or both of the Disputed Applications shall be in a writing signed by the Parties as an addendum to this Agreement.

6.1.2 In the event that after the sixty (60) day period, the Parties do not agree on resolution of the inventorship of the then existing claims of the Disputed Applications then either Party may provide the other Party with written notice ("Trigger Notice") that it will submit those claims to a Patent Expert ("PE") for an inventorship determination under this Section 6.

6.1.3 Within sixty (60) days of the Trigger Notice the Parties shall either agree on the appointment of a mutually acceptable experienced patent expert or if no agreement can be reached, the Parties shall, within ten (10) days thereafter, simultaneously exchange nominations of patent experts in groups of five until a common nominee is encountered. Where multiple such exchanges of nominations are required, each such exchange shall occur within ten days after the preceding exchange. If multiple common nominees are encountered in the same exchange, and the parties are not able to agree within five (5) days thereafter upon a single nominee from such common nominees, the nominee will be selected within a further five days by the drawing of lots in a manner mutually acceptable to the Parties. The nominee shall be referred to herein as the Patent Expert or "PE". Any submission under Section 6 by a Party to the PE shall be simultaneously served on all other opposing Parties. In the event, as described above, that multiple common nominees are encountered in an exchange, those of such common nominees that are not initially selected as the Patent Expert shall be designated as alternate(s), to become the Patent Expert if the selected Patent Expert is unable or unwilling to serve or to continue to serve. In all other cases in which the Patent Expert is unable or unwilling to serve or to continue to serve, a replacement Patent Expert shall be selected as described in this Section 6.1.3 with respect to the initial Patent Expert.

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6.1.4 Within ten (10) days of the appointment of the PE, MERCK shall provide both the PE and PROTIVA with copies of the Disputed Applications and a copy of Section 6 of this Agreement.

6.1.5 Within fifteen (15) days of receipt of the applications referred to in Section 6.1.4, the PE will conduct a meeting with the Parties to establish a schedule and terms of reference for conducting the inventorship determination. An appropriate confidentiality agreement will govern the PE's access to the Retained Litigation Documents and any other documents submitted by a Party to the PE. Unless otherwise agreed between the Parties and the PE as part of the terms of reference, following the exchange of information described in Sections 6.1.6 and 6.1.7, each Party shall simultaneously serve on the other Parties and the PE, a briefing document for each Disputed Application not to exceed 20 pages (not including supporting attachments) describing the facts and law supporting its position on who is an appropriate inventor of each claim of the Disputed Applications. The Parties and the PE shall agree and execute an appropriate engagement agreement including customary confidentiality provisions. It is the Parties' express desire to conduct the proceedings in a focused, efficient and timely manner. The Parties and the PE shall conduct the proceedings in accordance with the procedures set forth in this Section 6, provided however, the Parties may alter such proceedings by mutual agreement in writing. To the extent that it does not conflict with the procedures set forth herein, the PE shall have the discretion to request additional proceedings or information from the Parties as necessary, by way of example and not limitation, the PE may request additional briefing and/or argument from the Parties. No Party may require document production, written or oral discovery of any other Party except on mutual consent.

6.1.6 Within thirty (30) days of receipt of the applications referred to in Section 6.1.4, PROTIVA shall identify to MERCK and the PE [*]. At the same time, PROTIVA shall provide the PE and MERCK with any documents or information supporting its proposed inventorship.

6.1.7 Within ten (10) days of receiving PROTIVA's list of claims, MERCK shall provide to PROTIVA and the PE the [*] any documents or information supporting its proposed inventorship.

6.1.8 [*].

6.1.9 Each Party shall make available to the PE for personal interview, those individuals it identified as potential inventors or who may corroborate the inventive contributions of the potential inventors. Each Party shall have the opportunity to attend any such interviews. The Parties shall promptly respond to any requests for information or testimony as may be requested by the PE.

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6.1.10 The PE will determine the proper inventors of each of the Initial Contested Claims in accordance with US law on inventorship. The PE shall provide the Parties with a written determination of inventorship for each Initial Contested Claims including supporting reasons for that determination.

6.1.11 [*].

6.1.12 MERCK shall pay the expenses and fees of the PE for the inventorship determination of the Initial Contested Claims. The Parties shall bear the expenses for presenting their information and their proposed inventors to the Patent Expert for the inventorship determination proceeding in accordance with this Section 6, provided however, [*].

6.2 The ownership of an invention represented by a Contested Claim shall follow from the inventorship determination by the PE.

6.2.1 Contested Claims determined to be invented solely by persons obligated at the time the invention was made, to assign inventions to PROTIVA shall be owned by PROTIVA and patents and patent applications containing them shall be part of PROTIVA Patent Rights.

6.2.2 Contested Claims determined to be invented solely by persons obligated at the time the invention was made, to assign inventions to MERCK shall be owned by MERCK.

6.2.3 Contested Claims determined to be invented by persons obligated at the time the invention was made, to assign to PROTIVA jointly with persons obligated at the time the invention was made, to assign inventions to MERCK shall be jointly owned by PROTIVA and MERCK ("Joint Patent Rights").

6.3 Prosecution and Maintenance of patent applications containing Contested Claims.

6.3.1 In any country in the Territory where possible the Parties shall pursue separate patent applications with Contested Claims in a manner that all claims in a single application are owned by either a single party or both parties jointly.

6.3.2 Each Party shall have the right to prosecute patent applications containing only Contested Claims for which it is determined to be the sole owner in accordance with Section 6.2 without consulting with the other Parties.

6.3.3 The Parties will cooperate on the prosecution and maintenance of any Joint Patent Rights and will share equally the costs and expenses related to the prosecution and maintenance of the Joint Patent Rights in the Territory and agree to hold each other harmless for any activity in the prosecution or maintenance of Joint Patent Rights by a Party or a third party handling such matters on their behalf.

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6.4 Other [*] Applications.

6.4.1 In the event that the PE determines that PROTIVA is either a sole or joint inventor of any Initial Contested Claim, MERCK shall conduct a review all [*] Patent Rights in light of the PE's reasoning in the decision and make a good faith determination of whether person(s) obligated, at the time the invention was made, to assign inventions to PROTIVA is/were either sole or joint inventor(s) of any claim in any other [*] Patent Rights. [*].

6.4.2 [*], PROTIVA shall have the right, at its election, to bring this to the attention of MERCK for determination of inventorship under this Section 6. PROTIVA shall pursue an inventorship determination of claims in [*] Patent Rights in accordance with the procedures of this Section 6 and in no other forum. In that event, PROTIVA and MERCK shall have good faith discussions regarding such claims. If after such good faith discussions the Parties do not agree as to proper inventorship, PROTIVA shall have the right to refer all such claims (which, together with any claims identified by MERCK pursuant to Section 6.4.1 as being invented either solely or jointly by person(s) obligated, at the time the invention was made, to assign inventions to PROTIVA, are referred to herein as the "Other Contested Claims") to the PE for determination of inventorship in accordance with the procedures established in Sections 6.1.3 to 6.1.11 *mutatis mutandis*, provided however, each Party shall bear its own costs in any inventorship determination in accordance with this Section 6.4.2 and PROTIVA and MERCK shall share equally the PE's fees and expenses.

6.4.3 [*] that is not a SIRNA Patent Rights, [*].

6.5 The Parties do hereby release, and intend that their releases under Section 3 shall apply to, any claim or assertion of invalidity or unenforceability that is based in whole or in part upon a claim of inventorship that is contrary to a determination of inventorship of the same patent claim made by the Patent Expert(s) in accordance with this Section 6.

7. CONFIDENTIALITY

7.1 All the terms of this Agreement, including the amount of the payment made or to be made pursuant to Section 4 hereof and the fact that payment has been made, is being made, or is to be made, shall be maintained by the Parties and their counsel in strict confidence and shall not be disclosed to any third party or to the public without the written consent of all of the Parties; provided, however, that the foregoing will not apply to the subject matter of any license right granted herein; and provided further, however, that the Parties shall have the right to disclose the terms of this Agreement to the extent required by law subject to Section 7.2. The Parties may disclose in confidence, without consent of all other Parties, the terms of the Agreement to its current and prospective shareholders, investors, lenders, or acquirers; provided, however, that the specific amount paid or payable under Sections 5.1, 5.1.1 and 5.1.2, may be disclosed to such Party's shareholders to extent required under applicable law. The Parties agree that a press release with mutually agreed text of the form attached as Schedule 7.1 may be issued by PROTIVA within ten (10) business days of the Effective Date.

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7.2 Should the terms of this Agreement be requested in discovery in any litigation or other proceeding now pending or that the Parties may become involved in after the Effective Date, the Parties shall not reveal the terms of this Agreement unless (i) so ordered by the Court or other tribunal presiding over that litigation; and (ii) every effort is made to make the disclosure subject to a Confidentiality Order limiting disclosure of the terms of this Agreement to the parties, their attorneys and the Court or other tribunal in that litigation.

7.3 Any Party receiving a demand to reveal the terms of the Agreement in any such litigation shall promptly inform the other Party to this Agreement.

8. REPRESENTATIONS AND WARRANTIES

8.1 Each Party represents and warrants to the other Party that as of the Effective Date:

8.1.1 it has the full right, power and authority to enter into this Agreement and to perform its obligations hereunder; provided, however, that MERCK acknowledges that it is aware of claims to the contrary made in the INEX Litigation; and

8.1.2 this Agreement has been duly executed by it and is legally binding upon it, enforceable in accordance with its terms, and does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it.

8.2 PROTIVA represents and warrants that Schedule 1.29 identifies all of the PROTIVA Patent Rights that exist as of the Effective Date.

8.3 PROTIVA covenants, represents and warrants that it will not settle any disputes with Tekmira Pharmaceuticals Corporation or its successors-in-interest including but not limited to the INEX Litigation in any manner that will compromise or reduce the licenses, rights and releases granted to MERCK in this Settlement Agreement.

8.4 PROTIVA represents and warrants to the best of its knowledge that other than SIRNA it has had no interaction with any MERCK Affiliate that would have given rise to a cause of action described in Section 3.2.

8.5 MERCK represents and warrants to the best of its knowledge that other than SIRNA, no MERCK Affiliate has any claims described in Section 3.2 against PROTIVA.

8.6 NO PARTY MAKES ANY EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY TO ANY OTHER PARTY THAT ANY PATENTS REFERENCED HEREIN WILL ISSUE OR THAT ANY OF THE SAME ARE VALID WHETHER DUE TO A PARTY'S ACTIONS OR INACTIONS OR THAT ANY OF THE RIGHTS LICENSED OR TO BE LICENSED HEREUNDER WILL BE USEFUL OR VALUABLE. EACH PARTY SPECIFICALLY DISCLAIMS ANY AND ALL IMPLIED WARRANTIES, INCLUDING ANY AND ALL WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT.

9. INDEMNIFICATION

9.1 PROTIVA agrees to indemnify and hold harmless MERCK and its Affiliates, and their respective agents, directors, officers and employees and their respective successors and assigns (the "MERCK Indemnitees") from and against any and all losses, costs, damages, fees or expenses ("Losses") incurred by a MERCK Indemnitee arising out of or in connection with any claim, suit, demand, investigation or proceeding brought by a third party based on (a) the development, use, manufacture, distribution or sale of any product by PROTIVA or any of its Affiliates, under or pursuant to the licenses granted by MERCK under this Agreement, including, but not limited to, any claims made against MERCK by third parties or a PROTIVA Affiliate alleging infringement, injury, damage, death or other consequence occurring to any person claimed to result, directly or indirectly, from the possession, use or consumption of, or treatment with, any such product, whether claimed by reason of breach of warranty, negligence, product defect or otherwise, and regardless of the form or forum in which any such claim is made, or (b) any breach of any representation, warranty or covenant of PROTIVA in this Agreement.

9.2 The above indemnification shall not apply to the extent that any Losses are due to a material breach of any of MERCK's representations, warranties, covenants and/or obligations under this Agreement.

9.3 MERCK agrees to indemnify and hold harmless PROTIVA and its Affiliates and sublicensees, and their respective agents, directors, officers and employees and their respective successors and assigns (the "PROTIVA Indemnitees") from and against any and all losses, costs, damages, fees or expenses ("Losses") incurred by a PROTIVA Indemnitee arising out of or in connection with any claim, suit, demand, investigation or proceeding brought by a third party or a MERCK Affiliate ("Claim") based on (a) the development, use, manufacture, distribution or sale of any product by MERCK or any of its Affiliates, under or pursuant to the licenses granted by PROTIVA under this Agreement, including, but not limited to, any claims made against PROTIVA by third parties or a MERCK Affiliate alleging infringement, injury, damage, death or other consequence occurring to any person claimed to result, directly or indirectly, from the possession, use or consumption of, or treatment with, any such product, whether claimed by reason of breach of warranty, negligence, product defect or otherwise, and regardless of the form or forum in which any such claim is made, or (b) any breach of any representation, warranty or covenant of MERCK in this Agreement.

9.4 The above indemnification shall not apply to the extent that any Losses are due to a material breach of any of PROTIVA's representations, warranties, covenants and/or obligations under this Agreement.

9.5 The obligation to indemnify pursuant to this Section 9 shall be contingent upon timely notification by the indemnitee to the indemnitor of any claims, suits or service of process; the tender by the indemnitee to the indemnitor of full control over the conduct and

disposition of any claim, demand or suit; and reasonable cooperation by the indemnitee in the defense of the claim, demand or suit. No indemnitor will be bound by or liable with respect to any settlement or admission entered or made by any indemnitee without the prior written consent of the indemnitor. The indemnitee will have the right to retain its own counsel to participate in its defense in any proceeding hereunder. The indemnitee shall pay for its own counsel except to the extent it is determined that (i) one or more legal defenses may be available to it which are different from or additional to those available to the indemnitor, or (ii) representation of two Parties by the same counsel would be inappropriate due to actual or potential differing interests between them. In any such case and to such extent, the indemnitor shall be responsible to pay for the reasonable costs and expenses of the separate counsel retained to participate in the defense of the indemnitee, provided that such expenses are otherwise among those covered by the indemnitor's indemnity agreement hereunder.

10. MISCELLANEOUS

10.1 Notices

All notices which are required or permitted hereunder shall be in writing and sufficient if delivered personally, sent by facsimile (and promptly confirmed by personal delivery, registered or certified mail or overnight courier), sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

Notices to PROTIVA will be addressed to:

PROTIVA Biotherapeutics Inc.
100-3480 Gilmore Way
Burnaby, B.C., Canada
Attention: President & CEO
Facsimile No.: (604) 630-5103

With copy to:

Orrick, Herrington & Sutcliffe LLP
719 Second Ave., Suite 900
Seattle, WA 98104
Attention: Roger M. Tolbert, Esq.
Facsimile No.: (206) 839-4301

Notices to MERCK will be addressed to:

Merck & Co., Inc.
One Merck Drive
P.O. Box 100, WS3A-65
Whitehouse Station, NJ 08889-0100
Attention: Office of Secretary
Facsimile No.: (908) 735-1246

With copy to:

Merck & Co., Inc.
One Merck Drive
Attention: Chief Licensing Officer
P.O. Box 100, WS2A-30
Whitehouse Station, NJ 08889-0100
Facsimile: (908) 735-1214

10.2 Governing Law

This Agreement will be construed in accordance with and governed in all respects by the laws of the State of New York without regard to any conflicts of law principles which would result in application of laws of any other jurisdiction.

10.3 Costs and Attorney's fees

The Parties agree to bear their own costs and attorney's fees in connection with the Litigation and the negotiation of this Settlement Agreement.

10.4 Entire Agreement

This Settlement Agreement constitutes the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersedes all prior negotiations and agreements, whether written or oral. This Settlement Agreement may not be altered or amended except by an instrument in writing executed by both Parties.

10.5 Termination of Prior Agreements

The Parties agree that the Prior Agreements have been terminated or are terminated as of the Effective Date of this Settlement Agreement and that no rights or obligations of the Prior Agreements have survived or survive termination.

10.6 Severability

If any provision of this Agreement is unenforceable, such provision will be changed and interpreted to accomplish the objectives of such provision to the greatest extent possible under applicable law and the remaining provisions will continue in full force and effect.

10.7 Assignment

Except as provided in this Section 10.7, this Agreement may not be assigned or otherwise transferred, nor may any right or obligation hereunder be assigned or transferred, by any Party without the consent of the other Parties; provided, however, that a Party may, without such consent, assign this Agreement and its rights and obligations hereunder to an Affiliate or in connection with the transfer or sale of all or substantially all of its assets related to the subject matter of this Agreement, or in the event of its merger or consolidation or change in control or similar transaction. Any attempted assignment not in accordance with this Section 10.7 shall be void. Any permitted assignee shall assume all assigned obligations of its assignor under this Agreement.

10.8 Non-Solicitation

Each Party agrees that from the Effective Date until the fifth anniversary of the Effective Date, neither such Party nor any of its Affiliates will, except upon the express prior written consent of the other Party in each instance, directly or indirectly solicit for employment in any capacity (whether as a full or part time employee or as a consultant or contractor) any person who is then employed by such other Party or its Affiliates in any capacity related to this Agreement. This provision will not apply to or prohibit general solicitations such as job postings through public media, not focused on or directed specifically to the personnel of the other Party.

10.9 Compromise

The parties expressly deny any liability with respect to the claims and counterclaims made against them in the Litigation. It is expressly understood and agreed between the Parties that this Agreement is a compromise and shall not be interpreted to be an admission of liability or non-liability or an acknowledgement of the validity or invalidity of any claims, counterclaims or defenses that were asserted in the Litigation.

10.10 Schedules

The appended Schedules form an integral part of this Settlement Agreement.

10.11 Construction

The Parties agree they have had ample opportunity to influence the choice of language and terms in this Settlement Agreement. No provision of this Settlement Agreement shall be presumed to be construed against its drafter.

10.12 Counterparts

This Agreement may be executed in multiple counterparts, each of which shall be considered and shall have the force and effect of an original and all of which together shall constitute one and the same document.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, each Party has executed this Settlement Agreement as of the date indicated below by its authorized representative.

PROTIVA BIOTHERAPEUTICS INC.

By: /s/ Mark J. Murray
Name: Mark J. Murray

Title: President & CEO

Date: October 9, 2007

PROTIVA BIOTHERAPEUTICS (USA), INC.

By: /s/ Mark J. Murray
Name: Mark J. Murray

Title: President & CEO

Date: October 9, 2007

MERCK & CO., INC.

By: /s/ Paul Matukaitis
Name: Paul Matukaitis

Title: Vice President & Assistant General Counsel

Date: October 9, 2007

SIRNA THERAPEUTICS, INC.

By: /s/ Debra A. Bollwage
Name: Debra A. Bollwage

Title: Assistant Secretary

Date: October 9, 2007

SCHEDULE 1.26(i)

[*]

***Confidential Treatment Requested.**

SCHEDULE 1.26(ii)

[*]

***Confidential Treatment Requested.**

SCHEDULE 1.29

PROTIVA Patent Rights

TTC Ref Country ATTY(s) Handling	Title	Inventor	Application No. Filing Date	Status Remarks
[*]	[*]	[*]	[*]	[*]

***Confidential Treatment Requested.**

SCHEDULE 1.30
PROTIVA Reserved Targets

[*]

***Confidential Treatment Requested.**

SCHEDULE 1.31
PROTIVA Potential Reserved Targets

[*]

***Confidential Treatment Requested.**

SCHEDULE 2-A
Form of Dismissal – State Action

[Execution Copy contains one page form]

CIV-110

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name and Address):	TELEPHONE NO.:	FOR COURT USE ONLY
Elizabeth A. Howard (SB# 173185) Sean A. Lincoln (SB# 136387) ORRICK, HERRINGTON & SUTCLIFFE LLP 1000 Marsh Road Menlo Park, California 94025	(650) 614-7400	
ATTORNEY FOR (Name): Protiva Biotherapeutics Inc.; Protiva Biotherapeutics Inc. (USA)		
Insert name of court and name of judicial district and branch court, if any: SAN FRANCISCO SUPERIOR COURT		
PLAINTIFF/PETITIONER: Protiva Biotherapeutics Inc. and Protiva Biotherapeutics Inc. (USA) DEFENDANT/ RESPONDENT: Sirna Therapeutics, Inc.		
REQUEST FOR DISMISSAL ☐ **Personal Injury, Property Damage, or Wrongful Death** ☐ **Motor Vehicle** ☐ **Other** ☐ **Family Law** ☐ **Eminent Domain** ☒ **Other *(specify)*** : Breach of Contract; Trade Secret Misappropriation	CASE NUMBER: CGC 06-450694	
- A conformed copy will not be returned by the clerk unless a method of return is provided with the document. -		

1. TO THE CLERK: Please **dismiss** this action as follows:
   a. (1) ☒ With prejudice (2) ☐ Without prejudice
   b. (1) ☒ Complaint (2) ☐ Petition
   (3) ☐ Cross-complaint filed by *(name)*: on *(date)*:
   (4) ☐ Cross-complaint filed by *(name)*: on *(date)*:
   (5) ☐ Entire action of all parties and all causes of action
   (6) ☐ Other *(specify)*:*

Date: October ____, 2007

Elizabeth A. Howard ▶ _____
(TYPE OR PRINT NAME OF ☒ ATTORNEY ☐ PARTY WITHOUT ATTORNEY) (SIGNATURE)

*If dismissal requested is of specified parties only of specified causes of action only, or of specified cross-complaints only, so state and identify the parties, causes of action, or cross-complaints to be dismissed.

Attorney or party without attorney for:
☒ Plaintiff/Petitioner ☐ Defendant/Respondent
☐ Cross - complainant

2. **TO THE CLERK:** Consent to the above dismissal is hereby given.**
   Date: October ____, 2007

Meredith N. Landy ▶ _____
(TYPE OR PRINT NAME OF ☒ ATTORNEY ☐ PARTY WITHOUT ATTORNEY) (SIGNATURE)

** If a cross-complaint-or Response (Family Law) seeking affirmative relief -is on file, the attorney for cross-complainant (respondent) must sign this consent if required by Code of Civil Procedure section 581 (i) or (j).

Attorney or party without attorney for:
☐ Plaintiff/Petitioner ☒ Defendant/Respondent
☐ Cross - complainant

(To be completed by clerk)

3. ☐ Dismissal entered as requested on *(date)*:
4. ☐ Dismissal entered on *(date)*: as to only *(name)*:
5. ☐ Dismissal **not entered** as requested for the following reasons *(specify)*:

6. ☐ a. Attorney or party without attorney notified on *(date)*:
   b. Attorney or party without attorney not notified. Filing party failed to provide
   ☐ a copy to conformed ☐ means to return conformed copy

Date: Clerk, by _____, Deputy

Form Adopted for Mandatory use
Judicial Council of California
CIV-110 [Rev. January 1, 2007]

REQUEST FOR DISMISSAL

Code of Civil Procedure, § 581 et seq.;
Cal. Rules of Court, rule 3.1390
www.courtinfo.ca.gov

American LegalNet, Inc.
www.FormsWorkflow.com

SCHEDULE 2-B
Form of Dismissal – Federal Action

[Execution Copy contains four page form]

MEREDITH N. LANDY (State Bar No. 136489)
DHAIVAT H. SHAH (State Bar No. 196382)
ROBERTA L. HARTING (State Bar No. 225067)
O'MELVENY & MYERS LLP
2765 Sand Hill Road
Menlo Park, California 94025-7019
Telephone: (650) 473-2600
Facsimile: (650) 473-2601
E-Mail: mlandy@omm.com
dshah@omm.com
rharting@omm.com

Attorneys for Plaintiff
SIRNA THERAPEUTICS, INC.

ELIZABETH A. HOWARD (State Bar No. 173185)
JAN E. ELLARD (State Bar No. 171947)
ORRICK, HERRINGTON & SUTCLIFFE LLP
1000 Marsh Road
Menlo Park, California 94025-1015
Telephone: (650) 614-7400
Facsimile: (650) 614-7401
E-Mail: ehoward@orrick.com
jellard@orrick.com

Attorneys for Defendants
PROTIVA BIOTHERAPEUTICS, INC.
and MARK J. MURRAY

IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

SIRNA THERAPEUTICS, INC.,

Plaintiff,

v.

PROTIVA BIOTHERAPEUTICS, INC., and MARK J. MURRAY,

Defendants.

Case No. C 06-01361 MMC

STIPULATION AND ORDER OF DISMISSAL WITH PREJUDICE

The parties herein, by and through their counsel of record, hereby stipulate and agree as follows:

WHEREAS, the Plaintiff and Defendants have entered into a Settlement Agreement and General Release which fully settles all contested issues in this case;

IT IS HEREBY STIPULATED, pursuant to Fed. R. Civ. P. 41(a)(1)(A)(ii), that all claims asserted in this case by Plaintiff are hereby dismissed with prejudice and, further, that all parties shall bear their own costs and fees.

SO STIPULATED.

Dated: October __, 2007

O'MELVENY & MYERS LLP

By: _____
Meredith N. Landy

Attorneys for Plaintiff
SIRNA THERAPEUTICS, INC.

Dated: October __, 2007

ORRICK, HERRINGTON & SUTCLIFFE LLP

By: _____
Elizabeth A. Howard

Attorneys for Defendants
PROTIVA BIOTHERAPEUTICS, INC.
and MARK J. MURRAY

CERTIFICATE OF CONCURRENCE

I hereby attest that concurrence in the filing of this document has been obtained from counsel for defendants, Elizabeth A. Howard.

Dated: October __, 2007

O'MELVENY & MYERS LLP

By: _____
Meredith N. Landy

Attorneys for Plaintiff
SIRNA THERAPEUTICS, INC.

ORDER

IT IS SO ORDERED.

Dated: October __, 2007

The Honorable Maxine M. Chesney
United States District Judge

SCHEDULE 7.1
Form of Press Release

FOR IMMEDIATE RELEASE

MERCK & CO., INC. LICENSES SNALP TECHNOLOGY FROM PROTIVA

— Protiva to Receive One-Time Payment with Potential Milestone and Royalty Payments as Part of Broader Agreement —

Vancouver, BC, October xx, 2007 – Protiva Biotherapeutics Inc. today reported that it has granted Merck & Co., Inc. a non-exclusive license to Protiva's SNALP (Stable Nucleic Acid-Lipid Particles) technology for ongoing research and development of therapeutics in the emerging field of RNA interference (RNAi).

Under the terms of the agreement Protiva will receive a one-time payment from Merck with the potential for milestone and royalty payments based upon the developmental progress of future RNAi-based product candidates. In addition, Protiva has agreed to cease all litigation between Protiva and Sirna Therapeutics Inc, a wholly owned subsidiary of Merck, including the removal of a preliminary injunction granted by the Superior Court of California in March 2007. Financial details were not disclosed

Protiva's President and CEO Dr. Mark Murray said, "Merck's licensing of our 'SNALP' technology is an important validation of the skill of our scientific team and our leadership position in the siRNA delivery space. Protiva is moving forward with financial strength and a continued focus on the development of new therapeutic products and business alliances."

"We are pleased to have licensed Protiva's SNALP technology," said Alan Sachs M.D. Ph.D., vice president of RNA Therapeutics for Merck. "This technology can now be used to advance Merck's RNAi-based therapeutic development programs."

RNAi, which relies on the use of specifically designed short interfering RNA (siRNA) molecules, is a technology with the potential to fundamentally change how we treat serious human diseases such as cancer, HIV, influenza, Ebola virus infections and metabolic conditions such as high cholesterol. Dr. Andrew Fire and Dr. Craig Mello, the pioneers of RNAi, were awarded the Nobel Prize for Physiology or Medicine in 2006 for their discovery about how genes are controlled within living cells. Today, RNAi represents one of the most promising and rapidly advancing fields in biology and drug development.

About Protiva

Founded in 2001, Protiva Biotherapeutics Inc. is focused on the development of nucleic acid based pharmaceutical products to fight serious human diseases, such as cancer, influenza (including H5N1), Ebola, inflammatory diseases and other chronic viral infections. Protiva's proprietary Stable Nucleic-Acid Lipid Particle (SNALP) technology is an encapsulation and delivery system for nucleic acid payloads, such as short interfering RNA (siRNA), to target cells. It represents a breakthrough in the field of RNA interference.

Protiva is headquartered in Vancouver, B.C. with offices in Seattle, Washington. For more information, visit www.protivabio.com.

For more information about Protiva, contact:

Mark J. Murray, Ph.D.
President and Chief Executive Officer
Protiva Biotherapeutics Inc.
Vancouver: (604) 630-5063

Media contact:

David Ryan
Longview Communications Inc.
(604) 694 6031
dryan@longviewcomms.ca

AGREEMENT TO EXTEND TIME PERIOD

Sirna Therapeutics, Inc. and Merck & Co., Inc. (collectively "MERCK") and Protiva Biotherapeutics Inc. and Protiva Biotherapeutics (USA), Inc. (collectively "PROTIVA") are parties to that certain Settlement Agreement ("Settlement Agreement") dated as of October 9, 2007 (the "Effective Date"). MERCK and PROTIVA hereby agree that [*]. Except as agreed in this instrument, the remainder of the Settlement Agreement remains in full force and effect in accordance with its terms.

PROTIVA BIOTHERAPEUTICS INC.

By: /s/ Mark Murray
Name: Mark Murray
Title: President & CEO
Date: December 4, 2007

MERCK & CO., INC.

By: /s/ Paul Matukaitis
Name: Paul Matukaitis
Title: Vice President & Assistant General Counsel
Date: December 6, 2007

PROTIVA BIOTHERAPEUTICS (USA), INC.

By: /s/ Mark Murray
Name: Mark Murray
Title: President & CEO
Date: December 4, 2007

SIRNA THERAPEUTICS, INC.

By: /s/ Debra A. Bollwage
Name: Debra A. Bollwage
Title: Assistant Secretary
Date: December 6, 2007

***Confidential Treatment Requested.**

AGREEMENT TO EXTEND TIME PERIOD

Sirna Therapeutics, Inc. and Merck & Co., Inc. (collectively "MERCK") and Protiva Biotherapeutics Inc. and Protiva Biotherapeutics (USA), Inc. (collectively "PROTIVA") are parties to that certain Settlement Agreement ("Settlement Agreement") dated as of October 9, 2007 (the "Effective Date"). MERCK and PROTIVA hereby agree that [*]. Except as agreed in this instrument, the remainder of the Settlement Agreement remains in full force and effect in accordance with its terms.

PROTIVA BIOTHERAPEUTICS INC.

By: /s/ Mark J. Murray
Name: Mark J. Murray
Title: President & CEO
Date: February 7, 2008

MERCK & CO., INC.

By: /s/ Paul Matukaitis
Name: Paul Matukaitis
Title: Vice President & Assistant General Counsel
Date: February 7, 2008

PROTIVA BIOTHERAPEUTICS (USA), INC.

By: /s/ Mark J. Murray
Name: Mark J. Murray
Title: President & CEO
Date: February 7, 2008

SIRNA THERAPEUTICS, INC.

By: /s/ Debra A. Bollwage
Name: Debra A. Bollwage
Title: Assistant Secretary
Date: February __, 2008

***Confidential Treatment Requested.**

AGREEMENT TO EXTEND TIME PERIOD

Sirna Therapeutics, Inc. and Merck & Co., Inc. (collectively "MERCK") and Protiva Biotherapeutics Inc. and Protiva Biotherapeutics (USA), Inc. (collectively "PROTIVA") are parties to that certain Settlement Agreement ("Settlement Agreement") dated as of October 9, 2007 (the "Effective Date"). MERCK and PROTIVA hereby agree that [*]. Except as agreed in this instrument, the remainder of the Settlement Agreement remains in full force and effect in accordance with its terms.

PROTIVA BIOTHERAPEUTICS INC.

By: /s/ Mark J. Murray
Name: Mark J. Murray
Title: President & CEO
Date: March 28, 2008

MERCK & CO., INC.

By: /s/ Paul D. Matukaitis
Name: Paul D. Matukaitis
Title: Vice President & Assistant General Counsel
Date: March 24, 2008

PROTIVA BIOTHERAPEUTICS (USA), INC.

By: /s/ Mark J. Murray
Name: Mark J. Murray
Title: President & CEO
Date: March 28, 2008

SIRNA THERAPEUTICS, INC.

By: /s/ Debra A. Bollwage
Name: Debra A. Bollwage
Title: Assistant Secretary
Date: March 24, 2008

***Confidential Treatment Requested.**

AGREEMENT TO EXTEND TIME PERIOD

Sirna Therapeutics, Inc. and Merck & Co., Inc. (collectively "MERCK") and Protiva Biotherapeutics Inc. and Protiva Biotherapeutics (USA), Inc. (collectively "PROTIVA") are parties to that certain Settlement Agreement ("Settlement Agreement") dated as of October 9, 2007 (the "Effective Date"). MERCK and PROTIVA hereby agree that [*]. Except as agreed in this instrument, the remainder of the Settlement Agreement remains in full force and effect in accordance with its terms.

PROTIVA BIOTHERAPEUTICS INC.

By: /s/ Mark J. Murray
Name: Mark J. Murray

Title: President & CEO

Date: July 31, 2008

MERCK & CO., INC.

By: /s/ Paul D. Matukaitis
Name: Paul D. Matukaitis

Title: Vice President & Assistant General Counsel

Date: July 29, 2008

PROTIVA BIOTHERAPEUTICS (USA), INC.

By: /s/ Mark J. Murray
Name: Mark J. Murray

Title: President & CEO

Date: July 31, 2008

SIRNA THERAPEUTICS, INC.

By: /s/ Jon Filderman
Name: Jon Filderman

Title: Secretary

Date: July 29, 2008

***Confidential Treatment Requested.**

AGREEMENT TO EXTEND TIME PERIOD

Sirna Therapeutics, Inc. and Merck & Co., Inc. (collectively "MERCK") and Protiva Biotherapeutics Inc. and Protiva Biotherapeutics (USA), Inc. (collectively "PROTIVA") are parties to that certain Settlement Agreement ("Settlement Agreement") dated as of October 9, 2007 (the "Effective Date"). MERCK and PROTIVA hereby agree that [*]. Except as agreed in this instrument, the remainder of the Settlement Agreement remains in full force and effect in accordance with its terms.

PROTIVA BIOTHERAPEUTICS INC.

By: /s/ Mark J. Murray
Name: Mark J. Murray

Title: President & CEO

Date: September 3, 2008

MERCK & CO., INC.

By: /s/ Paul D. Matukaitis
Name: Paul D. Matukaitis

Title: Vice President & Assistant General Counsel

Date: September 3, 2008

PROTIVA BIOTHERAPEUTICS (USA), INC.

By: /s/ Mark J. Murray
Name: Mark J. Murray

Title: President & CEO

Date: September 3, 2008

SIRNA THERAPEUTICS, INC.

By: /s/ Jon Filderman
Name: Jon Filderman

Title: Counsel

Date: September 3, 2008

***Confidential Treatment Requested.**

* Confidential Treatment has been requested for the marked portions of this exhibit pursuant to Rule 24B-2 of the Securities Exchange Act of 1934, as amended.

DEVELOPMENT, MANUFACTURING AND SUPPLY AGREEMENT

This Development, Manufacturing and Supply Agreement (the "**Agreement**") is entered into as of January 2, 2009 (the "**Effective Date**"), by and between **Alnylam Pharmaceuticals, Inc.**, a corporation duly incorporated and existing under the laws of the State of Delaware, U.S.A, ("**Alnylam**"), and **Tekmira Pharmaceuticals Corporation**, a corporation duly organized and existing under the laws of the Province of British Columbia, Canada ("**Tekmira**").

Recitals:

A. Alnylam and Tekmira are parties to an Amended and Restated License and Collaboration Agreement between Alnylam and Tekmira dated effective May 30, 2008 (the "**Restated Tekmira LCA**") pursuant to which Alnylam and Tekmira have agreed to collaborate on the formulation and development of, among other things, Alnylam Royalty Products.

B. Alnylam and Protiva Biotherapeutics Inc. ("**Protiva**") are parties to an Amended and Restated Cross-License Agreement between Alnylam and Protiva Biotherapeutics Inc. dated effective May 30, 2008 (the "**Restated Protiva CLA**") pursuant to which Alnylam and Protiva have agreed to collaborate on the formulation and development of R&D Program Products (as defined in the Restated Protiva CLA) and pursuant to which Alnylam has obtained certain license rights with respect to Alnylam Licensed Products.

C. Alnylam and Tekmira are parties to a Manufacturing and Supply Agreement dated effective February 7, 2007 (the "**MSA**") that governs Tekmira's supply of Alnylam Royalty Products to Alnylam pursuant to the terms and conditions of Article 5 of the Restated Tekmira LCA.

D. Alnylam and Tekmira now wish to replace the MSA with this Agreement and to include the Manufacture (as hereinafter defined) of Alnylam Royalty Products and Alnylam Licensed Products by Tekmira on the terms and conditions described herein.

NOW, THEREFORE, in consideration of the mutual rights and obligations set forth in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

Article 1

Definitions and Interpretation

1.1 Definitions

For purposes of this Agreement, the following terms will have the meanings set forth below:

1.1.1 "**Additional Third Party Costs** has the meaning set forth in Section 4.1.5.

1.1.2 "**Adjusted GMP Batch Work Order Estimated Price**" has the meaning set forth in Section 3.4.5.

1.1.3 "**Affiliate**" means with respect to a Party, (a) any corporation or business entity of which fifty percent (50%) or more of the securities or other ownership interests representing the equity, the voting stock or general partnership interest are owned, controlled or held, directly or indirectly, by such Party; (b) any corporation or business entity, which, directly or indirectly, owns, controls or holds fifty percent (50%) (or the maximum ownership interest permitted by law) or more of the securities or other ownership interests representing the equity, the voting stock or, if applicable, the general partnership interest, of such Party; or (c) any corporation or business entity, fifty percent (50%) or more of the securities or other ownership interests representing

the equity of which is directly or indirectly owned, controlled or held by the same corporation, business entity or security holders, or holders of ownership interests, that own, control or hold fifty percent (50%) or more of the securities or other ownership interests representing the equity or the voting stock of such Party. Solely for purposes of this Agreement and without amending or altering the effect of the contrary provision in the definition of "Affiliate" in the Restated Tekmira LCA, all references to Tekmira in this Agreement shall (unless expressly stated otherwise in connection with such reference) include Tekmira and its Affiliate, Protiva. Notwithstanding the foregoing, Regulus Therapeutics LLC and its successors and assigns are not considered Affiliates of Alnylam for purposes of this Agreement.

1.1.4 "**Aggregate FTE Estimate**" means, with respect to any Calendar Quarter, the sum of the Quarterly FTE Estimates applicable to all Work Orders in effect during such Calendar Quarter.

1.1.5 "**Alnylam Equipment**" has the meaning set forth in Section 6.4.1.

1.1.6 "**Alnylam Licensed Product**" shall have the meaning set forth in clause (b) of Section 1.30 of the Restated Protiva CLA.

1.1.7 "**Alnylam Materials**" means all animal models, cell lines, tissue samples, genes, plasmids, siRNAs, miRNA constructs, vectors, receptors and other proteins, peptides, lipids, and other biological materials related to the Products, that in each case are provided by Alnylam to Tekmira for use in the performance of the Supply Services, including without limitation, the siRNA or miRNA composition incorporated into a Product.

1.1.8 "**Alnylam Royalty Product**" shall have the meaning set forth in Section 1.12 of the Restated Tekmira LCA.

1.1.9 "**Annual FTE Estimate**" has the meaning set forth in Section 5.4.

1.1.10 "**Appendix II Information**" means the information, materials and data described in Appendix II hereof.

1.1.11 "**Applicable Laws**" means all applicable ordinances, rules, regulations, laws, guidelines, guidances, requirements and court orders of any kind whatsoever of any Regulatory Authority, as amended from time to time, including without limitation, cGLP and cGMP (if applicable).

1.1.12 "**At-Risk Batch**" means [**].

1.1.13 "**Back-Up Manufacturer**" has the meaning set forth in Section 11.1.2.

1.1.14 "**Batch**" means a specific quantity of Product set forth in a Work Order that is intended to be of uniform character and quality, within specified limits, and is produced during the same cycle of Manufacture and which is intended to meet the Product Specifications.

1.1.15 "**Batch Documentation**" means, with respect to each non-GMP and GMP Batch delivered hereunder, the batch documentation described in Sections 8.1.1 and 8.1.2, respectively; provided, however, that (i) in no event (and notwithstanding anything to the contrary elsewhere in this Agreement) shall Tekmira be required to provide any Formulation Design Know-How and (ii) subject to the provisions of Sections 11.2 and 11.3 all Batch Documentation, and the provision thereof hereunder shall be subject to the restrictions set forth in the Restated Tekmira LCA and Restated Protiva CLA with respect to the use and sublicensing of Tekmira Technology, Protiva Patent Rights and Licensed Information (as defined in such agreements).

1.1.16 "**Bulk Product**" means Product that has been Manufactured through completion of all Manufacturing stages other than sterile filtration (unless applicable Work Order specifies that a particular Batch of Bulk Product will have undergone sterile filtration), filling, finishing, and packaging.

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1.1.17 "**Business Day**" means a day other than Saturday, Sunday or a statutory holiday in the Province of British Columbia, Canada or the Commonwealth of Massachusetts, U.S.A.

1.1.18 "**Calendar Quarter**" means each of the three-month periods ending on each of March 31, June 30, September 30 or December 31.

1.1.19 "**Certificate of Analysis**" or "**CoA**" means a document signed by an authorized representative of (a) Tekmira, or of a Third Party utilized by Tekmira in its performance of the Supply Services, as the case may be, describing, with respect to a particular Batch (i) the characteristics of such Batch, measured on the basis of the Product Specifications for, and testing methods applied to, the Product, (ii) the characteristics of the Tekmira Materials incorporated into such Batch, measured on the basis of the Raw Materials Specifications for, and testing methods applied to, such raw materials; or (b) Alnylam or its designee describing, with respect to a particular batch or other delivery unit of Alnylam Materials, the characteristics of such Alnylam Materials, measured on the basis of the Raw Materials Specifications for, and testing methods applied to, Alnylam Materials.

1.1.20 "**Certificate of Compliance**" has the meaning set forth in Section 8.1.2(g).

1.1.21 "**cGLP**" means the current good laboratory practices regulations applicable to the Manufacture of a Product that are promulgated by the Regulatory Authorities in the United States, or any other Regulatory Authorities designated in the applicable Work Order as the applicable Regulatory Authorities.

1.1.22 "**cGMP**" means the current good manufacturing practices regulations applicable to the Manufacture of a Product that are promulgated by the Regulatory Authorities in the United States, or any other Regulatory Authorities designated in the applicable Work Order as the applicable Regulatory Authorities.

1.1.23 "**Confidential Information**" means all proprietary or confidential information and materials, patentable or otherwise, of a Party which are disclosed by or on behalf of such Party to the other Party hereunder, including, without limitation, chemical substances, formulations, techniques, methodology, equipment, data, reports, know how, sources of supply, patent positioning, business plans, and also including without limitation proprietary and confidential information of Third Parties in possession of such Party under an obligation of confidentiality, whether or not related to making, using or selling Products.

1.1.24 "**Damages**" means any and all costs, losses, claims, liabilities, fines, penalties, damages and expenses, court costs, and reasonable fees and disbursements of counsel, consultants and expert witnesses incurred by a Party hereto (including interest which may be imposed in connection therewith).

1.1.25 "**Dispute**" has the meaning set forth in Section 16.6.1.

1.1.26 "**Disputed Batch**" has the meaning set forth in Section 8.4.1.

1.1.27 "**Executed Batch Record**" means the batch record generated by Tekmira in its Manufacture of a specific GMP Batch, which GMP Batch record shall contain the information set forth in the MBR for such Product at such scale and such quality of manufacture

1.1.28 "**Executive Officers**" means the Chief Executive Officer or the President of Alnylam (or another executive officer of Alnylam designated by such Chief Executive Officer) and the Chief Executive Officer of Tekmira (or an executive officer of Tekmira designated by such Chief Executive Officer).

1.1.29 "**Facilities**" means Tekmira Facilities located at 100-8900 Glenlyon Parkway, Burnaby, BC V5J 5J8, Canada, and such other facilities of Tekmira or its Affiliates as may be specified in an

applicable Work Order or as may be otherwise mutually agreed in writing in advance between the Parties from time to time. For purposes of clarity, if Alnylam enters into a direct relationship with a Third Party, including a Facility, such Third Party shall not be deemed a "Facility" hereunder to the extent that they are performing work for Alnylam directly.

1.1.30 "**FDA**" means the United States Food and Drug Administration or any successor agency thereto.

1.1.31 "**FDCA**" means the United States Food, Drug and Cosmetic Act of 1938, as amended from time to time, and the regulations and guidelines promulgated thereunder.

1.1.32 "**Finished Product**" means Product that has been Manufactured through completion of all Manufacturing stages, including filling, finishing, and packaging.

1.1.33 "**Formulation Design Know-How**" means, other than Appendix II Information, Know-How bearing on methods, procedures and/or criteria involved in the design, formulation, selection, evaluation, or validation of one or more formulations for lipid-based siRNA or miRNA products, where such methods, procedures and/or criteria include parameters bearing on one or more desired or anticipated behaviors of such product when used for therapeutic purposes and may also include parameters bearing on the manufacturability, stability, consistency, yield, toxicity, or cost-effectiveness of such product, as well as or other factors relevant to whether such product may be desirable as a commercially marketed therapeutic. For clarity, the Formulation Design Know-How does not include [**]. For example, if Tekmira is required to perform Technical Transfer with respect to a Product in accordance with Article 11 hereof, Tekmira will transfer all information and intellectual property necessary for the Manufacture of that Product in the same way that Tekmira Manufactured such Product at the time of Technical Transfer such that the transferee of such Technical Transfer can reproduce the Manufacturing Process of Tekmira for such Product, and it is understood that Formulation Design Know-How shall not be required to complete such Technical Transfer.

1.1.34 "**FTE**" means with respect to Tekmira, the equivalent of the work of one (1) full time employee or contractor for [**], for or on behalf of Tekmira, which equates to a total of [**] hours per year of work performed in connection with this Agreement, and the direct management thereof. Unless otherwise approved in particular instances by the Joint Development and Manufacturing Committee, the Supply Services work of one individual person under this Agreement will not account for more than one (1) FTE per year.

1.1.35 "**FTE Portion**" means, with respect to any Calendar Quarter, that portion of the Price of Supply Services that equals the sum of the number of FTEs of work actually performed in the provision of Supply Services in such Calendar Quarter, multiplied by the then-current FTE Rate. For the avoidance of doubt, it is agreed that the cost of Supplies will be deemed to be represented in the FTE Portion and thus will not be separately chargeable as part of the Price. For further clarity, Tekmira will include in the FTE Portion FTEs for Third Party Management Work.

1.1.36 "**FTE Rate**" means [**] per annum; provided, however, that beginning on January 1, 2012 (i.e., the first such adjustment will be made as of such date, to reflect CPI changes since the Effective Date, and subsequent such adjustments will be made as of each January 1 thereafter, to reflect CPI changes in the then-preceding year), the then-current FTE Rate shall be adjusted by the percent change year to year in the Consumer Price index (All items) for the Province of British Columbia, Canada as published by Statistics Canada for each year during the term of this Agreement.

1.1.37 "**GMP Batch**" means a Batch that is intended to meet cGMP requirements.

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1.1.38 "**GMP Batch Forecast**" means a non-binding, good faith, rolling forecast of Alnylam's estimated requirements for GMP Batches during the eight (8) Calendar Quarters covered by such GMP Batch Forecast.

1.1.39 "**GMP Batch Work Order Estimated Price**" has the meaning set forth in Section 3.2.5.

1.1.40 "**Indemnified Party**" has the meaning set forth in Section 15.5.

1.1.41 "**Indemnifying Party**" has the meaning set forth in Section 15.5.

1.1.42 "**Intellectual Property**" means patents, patent applications, including without limitation utility, model and design patents and certificates of invention and all divisionals, continuations, continuations-in-part, reissues, renewals, extensions (including supplemental protection certificates), additions, registrations or confirmations to or of any such patent applications and patents, trade names, trademarks, copyrights, trade dress, industrial and other designs, trade secrets or Know-How, and other forms of intellectual property, all whether or not registered or capable of registration.

1.1.43 "**Joint Development and Manufacturing Committee**" means the committee formed by the Parties under Article 2.

1.1.44 "**Know-How**" means any and all technical information and know-how owned or controlled by a Party and its Affiliates, including without limitation, data, instructions, processes, formulae, trade secrets, expert opinions and other information (in written or other tangible form) including, without limitation, any chemical, pharmacological, toxicological, clinical, assay, control and manufacturing data, biological materials, manufacturing or related technology, analytical methodology, chemical and quality control procedures, protocols, techniques, improvements and results of experimentation and testing.

1.1.45 "**Manufacturing**" or "**Manufacture**" means, with respect to a Product, all or a portion of the activities associated with the production, manufacture and processing of such Product, and the filling, finishing, testing, packaging, labelling, shipping, and storage of such Product, including without limitation, formulation process scale-up for toxicology and clinical study use, stability testing, analytical development, quality assurance and quality control, and in the case of the Manufacturing of Product by Tekmira, the production of Bulk Product or Finished Product using the Alnylam Materials.

1.1.46 "**Manufacturing Process**" means any and all processes (or any step in any process) used or planned to be used by Tekmira to Manufacture Product, which, for GMP Batches, shall be as evidenced in the Batch Documentation and/or the Master Batch Record.

1.1.47 "**Master Batch Record**" or "**MBR**" means the Parties' jointly approved manufacturing and control instructions for the Manufacture of a specific Batch.

1.1.48 "**Materials**" means Alnylam Materials and Tekmira Materials.

1.1.49 "**Materials Costs**" means the actual costs incurred by Tekmira for the procurement, qualification, purchase, in-bound shipping and freight insurance, testing, validation, and storage of any and all Tekmira Materials for a Product, other than Supplies.

1.1.50 "**Method**" means any compendial and non-compendial analytical method and all approved revisions thereto, as updated from time to time.

1.1.51 "**Minimum FTE Portion**" means [**].

1.1.52 "**miRNA**" has the meaning set forth in the Restated Tekmira LCA

1.1.53 "**Monthly Interim Reimbursement**" has the meaning set forth in Section 4.1.2.

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1.1.54 [**].

1.1.55 [**].

1.1.56 "**non-GMP Batch**" means any Batch intended for non-clinical use, including those intended to meet the requirement for pre-clinical use pursuant to cGLP requirements, such as, for example, a batch intended for use in GLP toxicology studies.

1.1.57 "**OOS**" has the meaning set forth in Section 7.9.1.

1.1.58 "**Party**" means Alnylam or Tekmira and "**Parties**" means Alnylam and Tekmira.

1.1.59 "**Person**" means a natural person, a corporation, a partnership, a trust, a joint venture, a limited liability company, any Regulatory Authority or any other entity or organization.

1.1.60 "**Phase II Study**" means (a) a dose exploration, dose response, duration of effect, kinetics, dynamic relationship or preliminary efficacy and safety study of a Product in the target patient population or (b) a controlled dose-ranging clinical trial to evaluate further the efficacy and safety of a Product in the target patient population and to define the optimal dosing regimen.

1.1.61 "**Phase III Study**" means a controlled pivotal clinical study of a Product that is prospectively designed to demonstrate statistically whether such Product is effective and safe for use in a particular indication in a manner sufficient to obtain Regulatory Approval to market such Product

1.1.62 "**Price**" means the amount, measured in Canadian dollars, to be paid by Alnylam to Tekmira for the Supply Services with respect to each Product and otherwise as provided in an applicable Work Order, which amount shall equal the sum of (i) the FTE Portion, (ii) [**] of the applicable Materials Costs, and (iii) [**] of the applicable Third Party Costs. For the avoidance of doubt, Price shall not include any additional charges for use of the Tekmira Facilities in connection with the Supply Services performed hereunder. To the extent that new equipment is required for the performance of Supply Services, the Parties shall (x) discuss at time of entering into the relevant Work Order whether and to what extent it would be appropriate for Alnylam to bear a portion of the costs of such equipment and what rights each Party would have in such equipment were Alnylam to bear some or all of the costs of such equipment and (y) include in the Price for such Work Order any portion of the costs for such equipment for which Alnylam has agreed to be responsible.

1.1.63 "**Product**" means any Alnylam Royalty Products or Alnylam Licensed Products. For the avoidance of doubt, [**].

1.1.64 "**Quality Agreement**" means the new Quality Agreement to be entered into between Alnylam and Tekmira pursuant to Section 10.1.

1.1.65 "**Quarterly Advance Payment**" has the meaning set forth in Section 4.1.1

1.1.66 "**Quarterly FTE Estimate**" has the meaning set forth in Section 3.3.

1.1.67 "**Records**" has the meaning set forth in Section 9.2.

1.1.68 "**Regulatory Authority**" means the FDA, the EMEA, Health Canada, and any other comparable governmental authorities, whether federal, provincial, state or municipal, regulating the manufacture, importation, distribution, marketing and/or sale of therapeutic substances in the Territory.

1.1.69 "**Representatives**" means, with respect to a Person, that Person's Affiliate and their respective directors, officers, employees, contractors, agents, representatives and any other Person(s) to the extent acting under their authority.

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1.1.70 "**Restated Protiva CLA**" has the meaning set forth in paragraph B of the Recitals.

1.1.71 "**Restated Tekmira LCA**" has the meaning set forth in paragraph A of the Recitals.

1.1.72 "**siRNA**" means a double-stranded ribonucleic acid (RNA) composition designed to act primarily through an RNA interference mechanism that consists of either (a) two separate oligomers of native or chemically modified RNA that are hybridized to one another along a substantial portion of their lengths, or (b) a single oligomer of native or chemically modified RNA that is hybridized to itself by self-complementary base-pairing along a substantial portion of its length to form a hairpin.

1.1.73 "**SOP**" means the duly authorized and documented standard operating procedure practised by each of Alnylam and Tekmira in the performance of a specified process.

1.1.74 "**Specifications**" means the list of tests, references to any analytical procedures, and appropriate acceptance criteria (a) to which Product at any stage of Manufacture should conform to be considered acceptable for its intended use, or (b) to which raw materials (including, but not limited to, Materials) should conform to be considered acceptable for their intended use, in each case that are mutually approved by the Parties, as such Specifications are amended or supplemented from time to time by mutual agreement of the Parties in writing, it being understood, however, that references herein to "Specifications" in the context of non-GMP Batches will not imply that such Specifications conform with the standards of GMP, and, as such, Specifications for non-GMP Batches will be considered for regulatory and quality control purposes to be draft Specifications. As used in this Agreement, "**Product Specifications**" means the Specifications applicable to a particular Product, and "**Raw Materials Specifications**" means the Specifications applicable to a particular raw material.

1.1.75 "**Supplies**" means, unless otherwise defined in a Work Order (which Work Order definition shall apply only to the Products to be manufactured under such Work Order), Tekmira Materials (other than lipids and large items such as HPLC columns, filters, batch buffers, and solvents) and consumables routinely used or consumed in the course of Tekmira's operations generally and that are not in any way specific to the Products or any Work Order, such as, by way of illustration: gloves, lab chemicals, lab buffers, lab reagents, lab solvents, paper towels, pipette tips, and test tubes.

1.1.76 "**Supply Services**" has the meaning set forth in Section 3.1.

1.1.77 "**Technical Transfer**" means the transfer, in accordance with Article 11, of Confidential Information and Intellectual Property of Tekmira and its Affiliates (including without limitation, Methods comprising Confidential Information or Intellectual Property of Tekmira and its Affiliates) to Third Parties and Back-Up Manufacturers to the extent necessary to allow such Third Parties and Back-Up Manufacturers to Manufacture a specific Product. For clarity, it is agreed that Technical Transfer will include the provision of the Appendix II Information but will not include the provision of any Formulation Design Know-How.

1.1.78 "**Tekmira Equipment**" has the meaning set forth in Section 6.4.1.

1.1.79 "**Tekmira Facilities**" means, subject to Section 6.2, Tekmira's manufacturing facilities located at 8900 Glenlyon Parkway, Burnaby, B.C. V5J 5J8, Canada.

1.1.80 "**Tekmira Materials**" means all materials (including but not limited to Supplies) to be used by Tekmira in the performance of Supply Services other than the Alnylam Materials listed in the applicable Work Order.

1.1.81 "**Term**" means the term of this Agreement, as described in Article 15.

1.1.82 "**Territory**" means all of the countries in the world and their territories and possessions.

1.1.83 "**Third Party**" means any Person other than a Party to this Agreement or an Affiliate of a Party to this Agreement.

1.1.84 "**Third Party Costs**" means the actual costs incurred by Tekmira for the procurement, qualification, monitoring, and purchase of any and all services, facilities, or personnel provided by Third Parties with respect to the manufacture or supply of Products under this Agreement, including, without limitation, the costs, charges and fees described in Section 4.1.5.

1.1.85 "**Third Party Management Work**" means work performed by Tekmira in the initiation, maintenance, and management of Third Parties engaged by Tekmira for the procurement, qualification, monitoring, testing, and purchase of any and all Supply Services, Facilities, equipment, or personnel provided by such Third Parties with respect to the Manufacture of Products under this Agreement for which Alnylam is reimbursing Third Party Costs. For purposes of clarity, Third Party Management Work will include typical program management functions, including without limitation legal and business development and all work devoted to interfacing with Alnylam or its personnel with respect to such initiation, maintenance, or management of such relationships with Third Parties.

1.1.86 "**Work Order**" means a written work order mutually approved by the Parties as described in Section 3.3, as such Work Order is modified by approved Change Orders. No more than one Batch may be ordered in each individual Work Order.

1.1.87 "**Year-Specific FTE Minimum**" means:

(a) with respect to 2009, [**] FTEs;

(b) with respect to 2010, [**] FTEs; and

(c) with respect to 2011, [**] FTEs.

1.2 Work Order Definitions

Unless otherwise expressly defined in a Work Order, the capitalized terms used in such Work Order will have the respective meanings set forth in this Agreement.

1.3 Conflicts

In the event of a conflict between this Agreement, the Quality Agreement, a Work Order or an attachment thereto, the terms and conditions of this Agreement shall control.

1.4 Currency

Unless otherwise explicitly stated, all references to money or "$" in this Agreement will mean the lawful money of Canada.

Article 2

Joint Development and Manufacturing Committee

2.1 Manufacturing Activities Committee.

The Manufacturing Activities Committee provided for in Section 4.1 of the Restated Tekmira LCA shall be permanently disbanded and be of no further effect as of the Effective Date. In the event that such Manufacturing Activities Committee has not been formed, the Parties agree that no such Manufacturing Activities Committee will be formed on or after the Effective Date.

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2.2 Joint Development and Manufacturing Committee Established

The Parties hereby establish a Joint Development and Manufacturing Committee that shall monitor and coordinate communication regarding the Parties' activities under this Agreement, as more fully described through this Agreement by reference to the Joint Development and Manufacturing Committee. The Joint Development and Manufacturing Committee shall facilitate the exchange of information between the Parties with respect to the activities hereunder, shall establish procedures for the efficient sharing of information and materials necessary for each Party's exercise of its rights and performance of its tasks hereunder, and shall perform such other functions as appropriate to further the purposes of this Agreement, as determined by the Parties.

2.3 Powers

2.3.1 Subject to the more specific provisions of this Agreement, the Joint Development and Manufacturing Committee shall have general responsibility for determining the form of Work Orders and scheduling and planning manufacturing campaigns and other Supply Services to be conducted under this Agreement. The Parties have adopted an initial Supply Services Plan, as attached hereto as Appendix I, to act as a guide for the Joint Development and Manufacturing Committee in this respect.

2.3.2 The Joint Development and Manufacturing Committee shall have only the powers assigned expressly to it in this Article 2 and elsewhere in this Agreement, and the Joint Development and Manufacturing Committee shall not have any power to amend, modify or waive compliance with this Agreement.

2.4 Membership

Each Party shall have an equal number of representatives on the Joint Development and Manufacturing Committee. The Joint Development and Manufacturing Committee will initially have four (4) members, as follows: [**] from Tekmira, and [**] from Alnylam. Either Party may designate substitutes for its representatives if one (1) or more of such Party's designated representatives are unable to be present at a meeting. From time to time each Party may replace its representatives by written notice to the other Party specifying the prior representative(s) and their replacement(s).

2.5 Meetings

Meetings of the Joint Development and Manufacturing Committee shall be effective only if at least one representative of each Party is present or participating. With the prior consent of both Parties' representatives (such consent not to be unreasonably withheld or delayed), other representatives of each Party or Third Parties involved with the Supply Services may attend meetings as nonvoting participants or observers.

2.6 Decision Making

2.6.1 Actions to be taken by the Joint Development and Manufacturing Committee shall be taken only following unanimous vote, with each Party having one (1) vote.

2.6.2 If the Joint Development and Manufacturing Committee cannot reach a unanimous decision for a period in excess of ten (10) days from the discussion at the Joint Development and Manufacturing Committee, unless the Parties agree to prolong such time period, the matter may be referred to the Executive Officers by any member of the Joint Development and

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Manufacturing Committee. In that event, the Executive Officers shall attempt resolution by good faith negotiations for at least ten (10) days after such referral. If the Executive Officers are not able to resolve such dispute within such ten (10) day period, then such dispute shall be finally decided by arbitration in accordance with the terms described in Section 16.6.

Article 3

Scope of Supply Services and Work Orders

3.1 Scope of Supply Services

Tekmira will provide services for Alnylam in respect of the Manufacture of Product as Bulk Product or Finished Product, as non-GMP Batches or GMP Batches, and such other services, including without limitation, project management, Technical Transfer, scale-up and process development, analytical method development, stability testing, release testing, quality control, quality assurance, Third Party Management Work, and regulatory support, as may be specified in each Work Order ("**Supply Services**"). Subject to the provisions of Article 11, Alnylam agrees to obtain, and Tekmira agrees to supply, all of Alnylam's requirements during the Term for Bulk Product and for Finished Product for non-GMP Batches and other non-clinical studies and for Bulk Product for clinical development, through the completion of all Phase II Studies of such Product that are initiated prior to the initiation of the first Phase III Study of such Product, in each case through the provision of the Supply Services by Tekmira under this Agreement. Alnylam further agrees, in recognition of Tekmira's commitments and anticipated scale-up and other efforts hereunder, to pay Tekmira for at least the Minimum FTE Portion applicable to each Calendar Quarter only during the first three years of the Term.

3.2 Contents and Effectiveness of Work Orders

3.2.1 Each request for the Manufacture of a specific Batch will be set forth in a Work Order, which may also specify Supply Services incidental to or otherwise directly related to the Manufacture and supply of such Batch.

3.2.2 While a single Work Order may cover the Manufacture of more than one Batch of a particular Product, no Work Order may cover (i) the Manufacture of Batches of different Products or (ii) the Manufacture of one or more non-GMP Batches and one or more GMP Batches of the same Product.

3.2.3 Each request for Supply Services other than the Manufacture of a specific Batch ("**Other Supply Services Work Orders**"), such as, for example, scale up and process development activities, will (except as stated in Section 3.2.1) be set forth in a separate Work Order that specifically provides for such Supply Services. Either Party may prepare a draft of any such Other Supply Services Work Order and provide it to the other Party, and, if it does so, such other Party will accept, reject, or suggest changes to such draft Work Order in writing within ten (10) Business Days of its receipt of such draft Work Order. No Other Supply Services Work Order will be effective unless and until it has been agreed to and signed by authorized representatives of both Parties. Neither Party will be obligated to enter into any Other Supply Services Work Order, but each Party hereby agrees to be reasonable and to use good faith in its considerations of draft Other Supply Services Work Orders submitted by the other Party.

3.2.4 Unless otherwise determined in individual situations by the Joint Development and Manufacturing Committee, Work Orders covering the Manufacture of a non-GMP Batch and related Supply Services ("**non-GMP Batch Work Orders**") will contain or refer to the following elements as applicable: scope of Supply Services, an estimate of the total Price for

all Supply Services under such Work Order (the "**non-GMP Batch Work Order Estimated Price**") (each such estimate providing details regarding the projected amount of Third Party Management work and Third Party Costs contained in such estimated Price), Specifications (it being understood that the Specifications for a non-GMP Batch will be agreed upon by the Joint Development and Manufacturing Committee using good faith estimates of what is reasonably achievable for such non-GMP Batch and which Specifications may include "run-and-report" data for which Tekmira will not be held responsible), date or dates of Alnylam's delivery of Alnylam Materials and associated documentation, timeframe for commencement and completion of Supply Services, deliverables, designation of the additional Applicable Laws and Regulatory Authority(ies) that will be applicable to the Product to be produced (it being understood that the standard for Product produced in non-GMP Batches will be based on industry standards and norms agreed to by the Joint Development and Manufacturing Committee), location of Facilities, reference to Tekmira Materials and Alnylam Materials, and deviations, if any, from the terms of this Agreement. Each Party's representatives on the Joint Development and Manufacturing Committee shall have the authority to sign, on behalf of their respective Parties, a non-GMP Batch Work Order, subject to any financial limits to the signing authority of the members of the Joint Development and Manufacturing Committee based on such Party's internal controls.

In the event the Parties cannot agree upon the content of any non-GMP Batch Work Order or cannot agree upon a Change Order related to any non-GMP Batch Work Order, then the Joint Development and Manufacturing Committee shall be authorized to attempt to resolve such disagreement. If the Joint Development and Manufacturing Committee cannot resolve such disagreement, the matter shall be resolved in accordance with the provisions of Section 2.6.2.

3.2.5 Work Orders covering the Manufacture of a GMP Batch and related Supply Services ("**GMP Batch Work Orders**") shall contain or refer to the following elements as applicable: scope of Supply Services, an estimate of the total Price for all Supply Services under such Work Order (the "**GMP Batch Work Order Estimated Price**") (each such estimate providing details regarding the projected amount of Third Party Management Work and Third Party Costs contained in such estimated Price), Methods, Specifications, SOPs (and other documentation such as development or qualification of methods and/or analytics, to the extent designated by the Joint Development and Manufacturing Committee as relevant), date or dates of Alnylam's delivery of Alnylam Materials and its associated documentation, timeframe for commencement and completion of Supply Services, deliverables, designation of the additional Applicable Laws and Regulatory Authority(ies) that will be applicable to the Product to be produced, location of Facilities, reference to Tekmira Materials and Alnylam Materials, and deviations, if any, from the terms of this Agreement.

3.2.6 With respect to GMP Batch Work Orders, Alnylam will, reasonably and in good faith, prepare a draft of each such Work Order and provide it to Tekmira for its consideration, and Tekmira will accept or suggest changes to such draft Work Order in writing within ten (10) Business Days of Tekmira's receipt of such draft Work Order. Tekmira shall be reasonable and use good faith in its considerations of draft GMP Batch Work Orders from Alnylam. No GMP Batch Work Order will be effective unless and until it has been agreed to and signed by authorized representatives of both Parties; provided, however, that (i) Tekmira may suggest changes to, but may not decline to accept, a GMP Batch Work Order to be effected in the following two Calendar Quarters for a GMP Batch that was reflected in the most recent GMP Batch Forecast for such Calendar Quarters and (ii) nothing contained herein shall require Tekmira to accept any Work Order which contains provisions which are contrary to the terms of this Agreement. Documents relating to the relevant project, including, without limitation, Specifications, and any other relevant documentation, will be attachments to the applicable GMP Batch Work Order and/or incorporated in the Work Order by reference.

3.2.7 Each fully signed or otherwise mutually-approved Work Order will be subject to the terms of this Agreement and will be incorporated herein and form a part of this Agreement.

3.3 Quarterly FTE Estimates

At least ten (10) Business Days prior to the first day of each Calendar Quarter, the Joint Development and Manufacturing Committee will determine, based on good faith input from both Tekmira and Alnylam, a reasonable estimate of the number of FTEs that will be required to perform the Supply Services called for in each of the Work Orders that is, or is to be, effective as to that upcoming Calendar Quarter (each is the "**Quarterly FTE Estimate**" for that Work Order).

3.4 Change Orders

3.4.1 Neither Party will make any changes to the Specifications, Methods, procedures, processes, Materials or Alnylam Equipment used under this Agreement or set forth in a Work Order, without the other Party's prior written approval, such approval not to be unreasonably withheld or delayed.

3.4.2 Either Party may upon written notice to other Party, request a change to a Work Order (a "**Change Order**").

3.4.3 Change Orders with respect to Other Supply Services Work Orders may be proposed and adopted from time to time in the same manner as described in Section 3.2.3 for the proposal and adoption of Other Supply Services Work Orders.

3.4.4 Change Orders with respect to non-GMP Batch Work Orders ("**non-GMP Batch Change Orders**"), consistently with Section 3.2.4, may take the form, may be adopted, and shall include the elements, determined to be appropriate from time to time by the Joint Development and Manufacturing Committee, subject to any financial limits on the signing authority of the Parties' representatives on the Joint Development and Manufacturing Committee based on such Party's internal controls.

3.4.5 For each proposed Change Order with respect to GMP Batch Work Order (a "**GMP Batch Change Order**") submitted by Alnylam**,** Tekmira will, within the longer of (a) four (4) Business Days of written notice of such Change Order from Alnylam, or (b) such time as may be required for Tekmira to obtain necessary information from Third Party suppliers with respect to such proposed Change Order, but not in excess of twelve (12) Business Days, indicate in writing to Alnylam (i) whether such GMP Batch Change Order is necessary or feasible, (ii) to what extent, if any, such GMP Batch Change Order alters the time frame, or any other parameters of Tekmira's performance of the Supply Services, and (iii) what effect, if any, Tekmira believes the implementation of such GMP Batch Change Order would have on the Price of the affected Supply Services, expressed as a revised GMP Batch Work Order Estimated Price for such Work Order (the "**Adjusted GMP Batch Work Order Estimated Price**"). For each GMP Batch Change Order initiated by Tekmira, Tekmira will indicate the information described in clauses (i) through (iii) above as part of its written notice to Alnylam of the proposed Change Order. If Alnylam accepts the terms of such GMP Batch Change Order in writing, then the relevant GMP Batch Work Order will be deemed amended to reflect those changes set forth in such Change Order. No GMP Batch Change Order will be effective unless and until it has been agreed to and signed by authorized representatives of both Parties. Neither Party will be obligated to enter into

any GMP Batch Change Order, but each Party hereby agrees to be reasonable and to use good faith in its considerations of draft GMP Batch Change Orders submitted by the other Party; provided, however, that nothing contained herein shall require either Party to accept any Change Order which contains provisions which are contrary to the terms of this Agreement.

3.4.6 Each fully signed or otherwise mutually-approved Change Order will be subject to the terms of this Agreement and will be incorporated herein and form a part of this Agreement.

Article 4

Invoicing and Payment

4.1 Price of Supply Services

4.1.1 On or before the first Business Day of each Calendar Quarter, Alnylam shall deliver to Tekmira the "**Quarterly Advance Payment**," which shall equal the greater of (i) the Minimum FTE Portion for such Calendar Quarter and (ii) the Aggregate FTE Estimate for such Calendar Quarter, multiplied by the FTE Rate.

4.1.2 Within thirty (30) days after the end of each of the first two calendar months in each Calendar Quarter, Tekmira shall send Alnylam an accounting of any Materials Costs or Third Party Costs paid or payable by Tekmira during the month preceding the delivery of such accounting in accordance with Work Orders, including specific references to the Work Orders under which such Materials Costs or Third Party Costs were incurred. Within thirty (30) days after such accounting from Tekmira, Alnylam will pay or reimburse Tekmira for all such Materials Costs and Third Party Costs (the "**Monthly Interim Reimbursement(s)**").

4.1.3 Within thirty (30) days after the end of each Calendar Quarter, Tekmira shall send Alnylam an accounting of the actual aggregate Price for the Supply Services actually provided by Tekmira during such Calendar Quarter, including an itemization (by job category and whether or not for Third Party Management Work) of the applicable FTEs devoted to such Supply Services, the Materials Costs and Third Party Costs incurred, in each case including specific references to the Work Orders under which such FTEs, Materials Costs and Third Party Costs were incurred; it being understood and agreed that, unless otherwise specified in the applicable Work Order (in which case the terms of the Work Order shall prevail):

(a) except with respect to activities involved in investigations of deviations from Specifications, Tekmira will not be entitled to bill, and Alnylam shall not be required to pay, an aggregate Price for all Supply Services under any given non-GMP Batch Work Order (other than for the first or the second non-GMP Batch for a particular Product attempted to be produced by Tekmira at the target production scale for such non-GMP Batch) in excess of the lesser of:

(i) the sum of:

(1) any applicable Additional Third Party Costs, plus

(2) the lesser of (w) [**] of the amount estimated for such Supply Services in such non-GMP Batch Work Order for all costs other than Third Party Costs and Third Party Management Work and (x) the actual Price for such Supply Services in such non-GMP Batch Work Order for all costs other than Third Party Costs and Third Party Management Work, plus

(3) the lesser of (y) [**] of the amount estimated for Third Party Costs and Third Party Management Work in such non-GMP Batch Work Order and (z) the actual Price for such Third Party Costs and Third Party Management Work in such non-GMP Batch Work Order

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or

(ii) the sum of (1) any applicable Additional Third Party Costs plus (2) [**] in excess of the amount estimated for such Supply Services in such non-GMP Batch Work Order.

(b) except with respect to activities involved in OOS investigations, Tekmira will not be entitled to bill, and Alnylam shall not be required to pay, an aggregate Price for all Supply Services under any given GMP Batch Work Order in excess of the lesser of:

(i) the sum of:

(1) any applicable Additional Third Party Costs, plus

(2) the lesser of (w) [**] of the amount estimated for such Supply Services in such GMP Batch Work Order for all costs other than Third Party Costs and Third Party Management Work and (x) the actual Price for such Supply Services performed pursuant to such GMP Batch Work Order for all costs other than Third Party Costs and Third Party Management Work, plus

(3) the lesser of (y) [**] of the amount estimated for Third Party Costs and Third Party Management Work in such GMP Batch Work Order and (z) the actual Price for such Third Party Costs and Third Party Management Work performed pursuant to such GMP Batch Work Order,

or

(ii) the sum of (1) any applicable Additional Third Party Costs plus (2) [**] in excess of the amount of estimated for such Supply Services in such GMP Batch Work Order.

4.1.4 Within fifteen (15) days after such notice from Tekmira, either, as the case may be: (i) Alnylam shall pay Tekmira the amount by which such actual aggregate Price exceeds the sum of the Quarterly Advance Payment and all Monthly Interim Reimbursements paid by Alnylam with respect to such Calendar Quarter pursuant to Section 4.1.1 and 4.1.2, or (ii) Tekmira shall notify Alnylam that Alnylam has a credit (towards the next Quarterly Advance Payment payable by Alnylam pursuant to Section 4.1.1) equal to the amount by which, if any, the sum of the Quarterly Advance Payment and all Monthly Interim Reimbursements paid by Alnylam with respect to such Calendar Quarter exceeds such actual aggregate Price.

4.1.5 Alnylam acknowledges that Tekmira may incur non-refundable Third Party Costs in connection with its performance of Work Orders, including reservation fees, change fees and cancellation fees associated with each reservation, change and cancellation of Manufacturing time slots reserved exclusively for Tekmira. All of such Third Party Costs incurred by Tekmira will be reimbursed by Alnylam to the extent (i) a reasonable estimate of the same was included in the non-GMP Batch Work Order Estimated Price or the GMP Batch Work Order Estimated Price applicable to such Work Order (as adjusted to reflect any applicable approved Change Orders),or (ii) they were incurred by Tekmira due to Alnylam's delay in delivery of Alnylam Materials and/or associated documentation or any other action, delay or failure of Alnylam; provided that, in each case, (x) such Third Party agreements under which Tekmira committed to pay such reservation, change or cancellation fees, are attached to such Work Order at the time such Work Order is agreed, and (y) Tekmira shall take reasonable steps to mitigate the out-of-pocket expenses incurred in connection therewith. Any such Third Party Costs described in clauses (ii) above are referred to herein as the "**Additional Third Party Costs.**" If so requested by Alnylam, Tekmira shall provide Alnylam with copies of receipts and/or invoices evidencing all Third Party Costs actually incurred by Tekmira in connection with the Supply Services under each Work Order.

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4.2 Method of Payment

Alnylam will make all payments for Supply Services in Canadian Dollars by cheque or wire transfer to the account specified by Tekmira. All undisputed balances remaining unpaid thirty (30) days after the date due for payment will bear interest at the rate of the greater of one percent (1%) per month or the prime rate plus 1%, compounded annually.

4.3 Audit

4.3.1 **Access.** Upon the written request of Alnylam and not more than once in each Calendar Year, Tekmira shall permit an independent certified public accounting firm of nationally recognized standing selected by Alnylam and reasonably acceptable to Tekmira, at Alnylam's expense except as set forth below, to have access during normal business hours to such of the records of Tekmira as may be reasonably necessary to verify the accuracy of the amounts billed to Alnylam by Tekmira pursuant hereto, including FTEs (including Third Party Management Work), Materials Costs and Third Party Costs, for any Calendar Year ending not more than thirty-six (36) months prior to the date of such request, for the sole purpose of verifying the basis and accuracy of payments made under this Article 4.

4.3.2 **Discrepancies; Default Interest**. If such accounting firm identifies a discrepancy made during such period, the appropriate Party shall pay the other Party the amount of the discrepancy within twenty (20) Business Days of the date Alnylam delivers to Tekmira such accounting firm's written report so concluding, or as otherwise agreed by the Parties in writing. Such written report shall be binding upon the Parties. The fees charged by such accounting firm shall be paid by Alnylam, unless such discrepancy represents an overpayment by Alnylam of more than the lesser of [**] or [**] of the total amounts due hereunder in any Calendar Year, in which case such fees shall be paid by Tekmira. Unless an audit for such Calendar Year has been commenced upon the expiration of thirty-six (36) months following the end of such Calendar Year, the calculation of payments payable with respect to such Calendar Year shall be binding and conclusive upon both Parties, and each Party shall be released from any further liability or accountability with respect to royalties and other payments for such Calendar Year.

4.3.3 **Confidentiality**. Alnylam shall treat all financial information subject to review under this Section 4.3 in accordance with the confidentiality and non-use provisions of Article 14 of this Agreement, and shall cause its accounting firm to enter into an acceptable confidentiality agreement with Tekmira obligating it to retain all such information in confidence pursuant to such confidentiality agreement.

Article 5
Work Order Lead Times and GMP Batch Forecasts

5.1 GMP Batch Forecasts

No later than the first Business Day of each Calendar Quarter, Alnylam shall provide Tekmira with a GMP Batch Forecast of Alnylam's anticipated requirements for GMP Batch production under this Agreement, covering the Calendar Quarter in which such GMP Batch Forecast is so delivered and the following seven (7) Calendar Quarters. Such GMP Batch Forecast shall not constitute a Work Order for any Supply Services, but the requirements stated in each GMP Batch Forecast for the first two Calendar Quarters covered by such GMP Batch Forecast shall: (a) constitute Alnylam's binding commitment to place GMP Batch Work Orders for Supply Services to produce such volumes for delivery during such two Calendar Quarters (it being understood that Alnylam will have submitted GMP Batch Work Orders for the first of such Calendar Quarter during the preceding Calendar Quarter, consistent with Section

5.2.1); and (b) constitute Tekmira's binding commitment to provide such Supply Services under mutually-agreed GMP Batch Work Orders; *provided*, *however*, that Tekmira will use its commercially reasonable efforts to meet Alnylam's needs.

5.2 Lead Time for Work Orders

5.2.1 Alnylam will provide Tekmira a draft GMP Batch Work Order with sufficient lead time to enable both Parties to have clarified the terms of and have duly executed such GMP Batch Work Order at least ninety (90) days before the first date of Supply Services scheduled under such GMP Batch Work Order, or such shorter amount of time as the Parties may agree, working through the Joint Development and Manufacturing Committee or otherwise, it being agreed that both Parties will exert commercially reasonable efforts to shorten lead times where practicable. Alnylam will provide Tekmira draft non-GMP Batch Work Orders and Other Supply Services Work Orders allowing for reasonable lead times deemed to be sufficient by action of the Joint Development and Manufacturing Committee.

5.2.2 Each Work Order will be governed by the terms of this Agreement and none of the terms or conditions of either Party's acknowledgement forms or any other forms will be applicable, except those specifying the matters set forth in Sections 3.2 or 3.4.

5.2.3 Notwithstanding the foregoing, Alnylam reserves the right, on one (1) week's prior written notice to Tekmira, to suspend a Work Order in the event of a Serious Adverse Drug Event as defined under Applicable Laws or a modification of Alnylam's Product development schedule. If such suspension occurs, Alnylam will reimburse Tekmira for any non-cancellable costs incurred up to and including the date of such suspension and will pay Tekmira for that portion of the Price that is allocable (on the basis of percentage of completion) to the Supply Services conducted under the affected Work Order to the date of the suspension, upon presentation of satisfactory evidence that such Supply Services were conducted, all in accordance with Article 4.

5.3 Scheduling and Capacity

5.3.1 Alnylam acknowledges that the late delivery of sufficient quantity and quality of any Alnylam Materials and/or documentation by Alnylam to Tekmira may result in a delay in the provision of Supply Services. In the event of the late delivery of any Alnylam Materials and/or documentation for which Tekmira is not responsible, (a) Tekmira will use commercially reasonable efforts to maintain the schedule set forth in the affected Work Order(s) and will notify Alnylam of any necessary change to such schedule, and (b) the Parties will enter into a Change Order to revise such schedule on mutually agreed terms. In no event shall Tekmira's entitlement to compensation or status as exclusive manufacturer be prejudiced by Alnylam's late delivery of Alnylam Materials and/or documentation.

5.3.2 Tekmira will maintain sufficient capacity in the Facilities to enable it to provide Supply Services under GMP Batch Work Orders during the first two Calendar Quarters covered by Alnylam's most recent GMP Batch Forecast. Tekmira will give Alnylam reasonable prior written notice of any shutdown of Facilities (that is not a regularly scheduled occurrence of which Alnylam is already aware) or of any event that may prevent Tekmira from or delay Tekmira in providing such Supply Services to Alnylam.

5.4 Post-2011 Annual FTE Estimates

5.4.1 On or before December 1, 2011, the Joint Development and Manufacturing Committee will determine an estimated number of FTEs (the "**Annual FTE Estimate**") anticipated to be required for Supply Services under this Agreement during 2012, based on the then most-current GMP Batch Forecast for each of the Calendar Quarters in 2012, and the Parties' then most-current available information with respect to other Supply Services (whether with respect to non-GMP

Batches or otherwise) anticipated to be required by Alnylam and to be supplied by Tekmira during 2012 under this Agreement. For clarity, such estimate is for planning purposes only and shall not constitute a binding obligation of either Party.

5.4.2 Similarly, the Joint Development and Manufacturing Committee will determine an Annual FTE Estimate for each subsequent calendar year during the Term, and will do so on or before December 1 of the preceding year.

Article 6

Standards, Personnel and Equipment

6.1 Compliance

Tekmira will provide Supply Services in accordance with this Agreement, each Work Order, Applicable Laws, the applicable Specifications, and the relevant Quality Agreement.

6.2 Work Location

To the extent one or more Facilities are expressly identified in a Work Order, Tekmira will perform the applicable Supply Services only at the applicable Facilities. Tekmira shall be responsible for ensuring that all of the Facilities meet the agreed upon regulatory standards indicated in each GMP Batch Work Order at all relevant times. Tekmira will not change the location of any of the Facilities or use any additional facility for the performance of Supply Services under any GMP Batch Work Order without at least one hundred and fifty (150) days' prior written notice to, and prior written consent from, Alnylam or such shorter notice as is otherwise mutually agreed between the Parties. Such consent will not be unreasonably withheld or delayed (it being understood and agreed that Alnylam may withhold consent pending satisfactory completion of a quality assurance audit and/or regulatory impact assessment of the new location or additional facility, as the case may be). In addition, Alnylam may elect to permit Tekmira to proceed with use of such changed or additional facility prior to completion of an audit, but such use will be subject to Alnylam's right to require Tekmira to cease use of any such facility if such facility does not pass Alnylam's audit.

6.3 Personnel

6.3.1 Unless otherwise set forth in this Article or in a Work Order, Tekmira will furnish all personnel, Tekmira Material and supervision necessary to perform the Supply Services. Tekmira will arrange for qualified personnel necessary and desirable to support Tekmira's obligations under this Agreement, and will take all reasonable steps to ensure that such personnel are properly trained and proficient in the Specifications, Methods, the Manufacturing Process and in handling the Materials and Products.

6.3.2 Communications and coordination between the Parties with respect to the Manufacturing activities under this Agreement shall be conducted through the Joint Development and Manufacturing Committee.

6.4 Equipment

6.4.1 Tekmira will, at its own expense, supply, qualify, calibrate and maintain all equipment necessary for the Manufacture of Product, including any equipment used by Third Party Facilities ("**Tekmira Equipment**"). If certain Tekmira Equipment is not deemed suitable by Alnylam, Alnylam shall have the option of providing substitute or supplementary equipment approved by Tekmira (which approval shall not be unreasonably withheld), in which case such equipment supplied by Alnylam shall be deemed "**Alnylam Equipment**" for the purposes of this Agreement.

6.4.2 All Alnylam Equipment placed in Tekmira's possession will at all times remain the property of Alnylam, will be visibly marked as the property of Alnylam, and will be used exclusively for the performance of Supply Services pursuant to this Agreement. Tekmira shall ensure that such Alnylam Equipment remains free and clear of any liens or encumbrances. Upon termination of this Agreement or upon Alnylam's written request, Tekmira will forthwith return to Alnylam all Alnylam Equipment or permit Alnylam to enter onto Tekmira's premises to retrieve all Alnylam Equipment.

6.4.3 Alnylam will be responsible for the cost of the initial calibration of such Alnylam Equipment upon delivery of same to Tekmira, and the cost of any maintenance, qualification, and calibration, as applicable, of Alnylam Equipment will be apportioned between the Parties in Work Orders. Tekmira shall not be required to provide or pay for spare parts for Alnylam Equipment. To the extent Alnylam provides spare parts for Alnylam Equipment, such spare parts will remain the property of Alnylam and will be used by Tekmira only for maintenance of Alnylam Equipment. Tekmira will immediately notify Alnylam if at any time it believes any Alnylam Equipment has been damaged, lost or stolen.

6.5 Validation

Tekmira will be responsible for performing appropriate qualification and/or validation of the Facilities, Tekmira Equipment and cleaning and maintenance processes employed in the Manufacturing Process at the Facilities in accordance with cGLP and cGMP (as applicable), Tekmira's SOPs, the Quality Agreement, Applicable Laws, and in accordance with any other validation procedures established by the Joint Development and Manufacturing Committee. Tekmira will also be responsible for ensuring that all such qualifications and/or validations have been performed in the case of all other Facilities or equipment, to the extent involved in the Manufacture of any GMP Batch. Tekmira will also be responsible for ensuring that all such validated processes to the extent involved in the Manufacture of any GMP Batch are carried out in accordance with their terms.

6.6 Licenses and Permits

Tekmira will be responsible for obtaining, at its expense, the Facilities and any licenses or permits and regulatory and government approvals necessary for the operation and use of the Facilities as pharmaceutical manufacturing facilities generally (i.e., without specific regard to the Products or the performance of Supply Services by Tekmira under this Agreement). Where any such licenses, permits or approvals are required specifically for the performance of Supply Services by Tekmira under this Agreement which would not otherwise be required by Tekmira, the expense thereof shall be treated as part of Tekmira's Third Party Costs for purposes of determining the Price.

Article 7

Manufacture

7.1 Material Sourcing

7.1.1 Tekmira acknowledges and agrees that Alnylam Materials are the property of Alnylam and that Alnylam will retain all right, title and interest in and to Alnylam Materials, including all proprietary rights thereto at each stage of Manufacture. Alnylam acknowledges and agrees that, except for the Tekmira Materials incorporated into Product delivered to Alnylam, Tekmira Materials are the property of Tekmira and that Tekmira will retain all right, title and interest in and to Tekmira Materials, including all proprietary rights thereto.

7.1.2 Alnylam shall at its sole cost and expense (a) source, purchase and provide such quantities of Alnylam Materials as are reasonably required for each Work Order, (b) qualify, monitor and audit

the suppliers or vendors of Alnylam Materials, and (c) notify Tekmira of any changes to qualification procedures for such vendors or suppliers or to any raw material release or specification procedures applicable to any Alnylam Materials.

7.1.3 Tekmira will pursuant to each Work Order (a) source Tekmira Materials for Products in accordance with the Specifications, (b) qualify, monitor and audit the suppliers or vendors of Tekmira Materials, and (c) notify Alnylam of any changes to qualification procedures for such vendors or suppliers or to any raw material release or specification procedures applicable to any Tekmira Materials.

7.1.4 Alnylam will at all times retain title to and ownership of the Alnylam Materials at each and every stage of Manufacture. Tekmira will provide within the Facilities an area or areas where the Alnylam Materials, Product, any intermediates (and components thereof), and any work in process are segregated and stored in accordance with the Specifications and cGMP or cGLP, as applicable, and in such a way as to be able at all times to clearly distinguish such Alnylam Materials from products and materials belonging to Tekmira, or held by it for a Third Party's account. Tekmira will at all times take such measures as are required to protect the Alnylam Materials, Product, any intermediates (and components thereof), and any work in process from risk of loss or damage at all stages of Manufacture. Tekmira will ensure that the Alnylam Materials, Product, any intermediates (and components thereof), and any work in process remain free and clear of any liens or encumbrances. Tekmira will immediately notify Alnylam if at any time it believes any Product or Alnylam Materials have been damaged, lost or stolen.

7.2 Receipt and Release Testing of Raw Material

7.2.1 Tekmira will receive Alnylam Materials in accordance with Tekmira SOPs and will visually examine the packaging integrity of Alnylam Materials and ensure that damage has not occurred during transport. If Tekmira visually detects any defect or damage in any Alnylam Materials or the packaging thereof, Tekmira will notify Alnylam immediately or by the next Business Day with detailed information concerning the nature of the damage and seek instructions from Alnylam.

7.2.2 Alnylam shall ensure that all Alnylam Materials to be delivered to Tekmira for use in non-GMP Batches have been released in accordance with the Raw Material Specifications for such Alnylam Materials. In respect of GMP Batches, Alnylam shall provide all Alnylam Materials and associated documentation to Tekmira not less than thirty (30) days prior to the initiation of each Manufacturing campaign to enable Tekmira to perform raw material release testing on Alnylam Materials, it being agreed that both Parties will exert commercially reasonable efforts to shorten this lead time where practicable.

7.2.3 If Tekmira is to conduct full release testing of Alnylam Materials in accordance with the Specifications prior to introducing each batch of Alnylam Materials into the Manufacture of Product, Alnylam shall supply reasonably sufficient quantities of Alnylam Materials for the purposes of raw material testing and Batch Manufacturing. Tekmira will provide Alnylam with copies of the analytical reports, raw data and any other relevant documentation in respect of each lot of Alnylam Materials tested, and notify Alnylam of any deficiencies in respect of any lot of Alnylam Materials tested.

7.3 Use of Materials and Product

Tekmira covenants and agrees with Alnylam that it will (a) use all Materials in compliance with all Applicable Laws, (b) not use the Alnylam Materials for any reason other than the performance of the Supply Services including, without limitation, not to analyze, characterize, modify or reverse engineer any Alnylam Materials or take any action to determine the structure or composition of any Alnylam Materials unless required pursuant to a signed Work Order, (c) not distribute or release any Alnylam

Materials or Product or any derivative thereof to any person other than employees of Tekmira, Alnylam, or Third Parties approved for such purpose in any Work Order or otherwise by Alnylam or the Joint Development and Manufacturing Committee, who require access to the Alnylam Materials or Product in the performance of the Supply Services, (d) ensure that no Person will take or send any Alnylam Materials or Product or any part thereof to any location, other than within the Facilities at which the Supply Services are to be performed, and (e) ensure that all of Tekmira's employees having access to the Alnylam Materials and Product are made aware of and comply with the terms of this Agreement, including the obligations of confidentiality respecting the same contained herein.

7.4 Responsibility for Safe Use

Tekmira shall be responsible in accordance with Applicable Laws for implementing and maintaining health and safety procedures for the performance of Supply Services and for the handling of any Materials or hazardous waste used in or generated by the Supply Services. Tekmria, in consultation with Alnylam, will develop safety and handling procedures for Materials and Products. Provided Alnylam has delivered a Material Safety Data Sheet ("**MSDS**") for each of the Alnylam Materials supplied to Tekmira, Alnylam shall have no responsibility for Tekmira's health and safety program.

7.5 Test Parameters

All test parameters will be as specified in the Specifications included in each Work Order.

7.6 Manufacture of Bulk Product

7.6.1 Prior to Manufacturing the first GMP Batch of a Product, Tekmira shall generate and deliver to Alnylam, an MBR for such GMP Batch to be Manufactured and each GMP Batch shall be Manufactured in accordance with the MBR.

7.7 Bulk Product Release Testing

7.7.1 If Alnylam in writing requests Supply Services in respect of Bulk Product release testing, and unless otherwise stated in the Work Order for the Manufacture of Product, Tekmira will perform release testing of the applicable Batch in accordance with the Specifications within four (4) weeks of completion of a Manufacturing campaign.

7.7.2 If at any time during the Manufacture of Product, Tekmira discovers that the whole or part of a Batch does not meet the acceptance criteria set forth in the Specifications for Product, Tekmira will notify Alnylam in accordance with Section 7.9 and provide sufficient details to enable Alnylam to order replacement shipments of relevant Alnylam Material and provide instructions for the disposition of the affected Product.

7.8 Stability Testing

If Alnylam in writing requests Supply Services in respect of stability testing, Tekmira will design and Alnylam will approve a study protocol and applicable SOPs to be used by Tekmira. Such study protocols will be prepared as part of the Supply Services set forth in such Work Order.

7.9 Testing Generally

7.9.1 Tekmira will contact Alnylam within two (2) Business Days, either verbally or in written form, of Tekmira's discovery of any actual or suspected Out-Of-Specification ("**OOS**") data with respect to work done under or in connection with a GMP Batch Work Order, and Tekmira will recommend the course of action to be undertaken to confirm and/or remedy such OOS, if any. Tekmira will forward to Alnylam for Alnylam's approval, any and all OOS reports concerning the Product which do not stem from an assignable laboratory cause.

7.9.2 Tekmira will obtain Alnylam's approval prior to necessary re-testing or re-sampling as part of an OOS investigation with respect to work done under or in connection with a GMP Batch Work

Order. Recommendation and approval for such action will be contained in the relevant OOS report that will be copied to Alnylam. Charges for re-testing will not apply where re-testing stems from flawed testing done by Tekmira.

7.10 Sample Retention – Raw Materials and Bulk Product

For each GMP Batch Manufactured by Tekmira, Tekmira will, as part of the Supply Services, retain sufficient quantities of raw materials and Bulk Product, in appropriate material composition container-closure systems until the later of (a) a period equal to the shelf life of the Product into which the raw material has been incorporated plus two (2) years, or (b) such longer period as may be required or advisable in accordance with Applicable Laws and mutually agreed by the Parties, after which time, Tekmira will (i) obtain Alnylam's prior approval for the destruction or disposal of the raw material, (ii) upon receiving such approval, destroy or dispose of such raw material in accordance with Section 7.12; and (iii) document the destruction or disposal of all such raw material.

7.11 Storage

7.11.1 Tekmira will maintain at all times adequate facilities for the storage of Materials and will exercise due care in handling and storing all Materials in accordance with Applicable Laws, applicable Specifications, the Quality Agreement and this Agreement.

7.11.2 Alnylam's Representatives will, upon prior written notice to Tekmira and subject to the limitations and restrictions described in Section 9.3, have reasonable access to the Materials, and will have the right to obtain original raw data and supporting documentation respecting same.

7.11.3 Tekmira will use its reasonable efforts to visibly mark any Materials that are used exclusively for the Manufacture of Product for Alnylam to distinguish them from other materials.

7.11.4 Tekmira shall store Product and Materials for up to one (1) week after Alnylam's acceptance of the Product pending Alnylam's shipper or courier pick up, provided, however, that Alnylam is reasonably prompt in effecting its acceptance of the Product. If Alnylam's courier or shipper is unable to take delivery of Product within this one (1) week period following Alnylam's acceptance of the Product, or if Alnylam is not reasonably prompt in effecting such acceptance, Tekmira shall be entitled to charge Alnylam for its reasonable storage costs.

7.12 Waste Disposal

If requested by Alnylam in writing, used and unused Materials and Product will be destroyed or disposed by Tekmira in accordance with Applicable Laws, and Alnylam shall pay Tekmira (in accordance with Article 4) Tekmira's actual costs incurred in or otherwise attributable to such destruction or disposal. Tekmira will not destroy or dispose of any retained samples relating to regulatory compliance or quality control without giving Alnylam two (2) months prior written notice and a reasonable opportunity to take possession of such samples.

Article 8
Delivery of Product

8.1 Release and Batch Documentation

8.1.1 For each non-GMP Batch Manufactured, within six (6) weeks following the completed processing of the Bulk Product or such other period as the Joint Development and Manufacturing Committee may determine to be reasonable, Tekmira will deliver to Alnylam's designated quality assurance representative, a copy of the CoA for such Batch and all underlying and supporting raw data and such other data or information (other than Formulation Design Know-How) that is reasonably available to Tekmira and that is determined by the Joint Development and Manufacturing Committee to be appropriately deliverable to Alnylam (together, the "**non-GMP Batch Documentation**"). In addition, to the extent reasonably requested by Alnylam, Tekmira will also supply Alnylam with samples of the applicable non-GMP Batch in an amount sufficient for Alnylam to conduct necessary testing of such non-GMP Batch.

8.1.2 For each GMP Batch Manufactured, Tekmira will deliver to Alnylam's designated quality assurance representative, the following samples and documentation duly reviewed by Tekmira's quality assurance representative, within six (6) weeks following the completed processing of the Bulk Product, as applicable:

(a) a copy of the Executed Batch Record for the applicable GMP Batch and all underlying or supporting raw data;

(b) a copy of the CoA and all underlying or supporting raw data (including, without limitation, any applicable associated method qualification and validation reports required by cGMP);

(c) a copy of the analytical reports for raw materials;

(d) a copy of any investigation reports concerning the Manufacture of the applicable GMP Batch;

(e) all records of any relevant Third Party equivalent to (a) through (d) above;

(f) documentation, signed by an authorized representative of Tekmira, identifying and certifying to the country of origin for raw materials used in a particular Batch and, if requested by Alnylam, a statement, in the form reasonably requested by Alnylam, certifying that all raw materials used in a particular Batch are free of bovine spongeform encephalitis and total spongeform encephalitis; *provided however*, that all Alnylam Materials will be provided with the documentation and certifications set forth in this subsection such that Tekmira will be able to rely on Alnylam's documentation and certifications with respect to the Alnylam Materials on which it is required to document pursuant to this subsection; and

(g) a certificate signed by an authorized representative of Tekmira confirming that the GMP Batch was Manufactured in accordance with cGMP; and, based on the release testing required to be performed by Tekmira under the Specifications, such GMP Batch meets the applicable Specifications and is compliant with Applicable Laws ("**Certificate of Compliance**");

(h) and any other data (other than Formulation Design Know-How) reasonably requested by Alnylam that is either required by cGMP or that is otherwise reasonably available to Tekmira

(together, the "**GMP Batch Documentation**", and with the non-GMP Batch Documentation, the "**Batch Documentation**"). In addition, to the extent reasonably requested by Alnylam, Tekmira will also supply Alnylam with samples of the applicable GMP Batch in an amount sufficient for Alnylam to conduct necessary testing of such GMP Batch.

8.1.3 Notwithstanding the foregoing Section 8.1.2, if the quality assurance process is halted or delayed after completion of Manufacture of a GMP Batch for any reason, Tekmira will immediately notify Alnylam of such delay and the reason(s) therefor and provide Alnylam with a new estimated date for delivery of complete Batch Documentation for the applicable GMP Batch. The period stipulated in Section 8.1.2 will be extended by the length of time to be mutually agreed upon and recorded in writing.

8.1.4 If Tekmira determines that a Batch does not meet the relevant Specifications, Tekmira shall promptly notify Alnylam of such determination, and the Parties shall discuss the appropriate next steps.

8.2 Shipment

8.2.1 Tekmira will make Product available for pick-up by Alnylam's shipper or courier only after all aspects of Manufacturing are complete and all applicable documentation is complete, including sign-off and release authorization by Alnylam and, where applicable, Tekmira's quality assurance personnel, and forwarded to Alnylam as set forth in Section 8.1, except as authorized in writing by Alnylam's head of quality assurance or as otherwise determined by the Joint Development and Manufacturing Committee. For purposes of clarity, Tekmira will release Product to Alnylam or its designees under quarantine prior to finalization of the deliverables described in Section 8.1.2.

8.2.2 If a Work Order requires Tekmira to Manufacture only Bulk Product, risk of loss or damage to Alnylam Materials and Product will remain with Tekmira while the same are at the Facilities until Alnylam has taken delivery of the Product. All deliveries shall be FCA the Facilities (Incoterms 2000). A bill of lading will be furnished to Alnylam with respect to each delivery. Tekmira shall not be responsible for any early or late delivery caused directly or indirectly by any national or international security, transport, customs or other measures enacted by relevant governmental entities, in which case Alnylam shall have the option of arranging alternative delivery methods.

8.3 Testing and Rejection of Delivered Product

8.3.1 After Alnylam or its designee(s)' receipt of the Product and its associated documentation, if Alnylam or its designee discovers through visual inspection any shortage of Product comprising the delivery, any damage to the Product or packaging or shipping container or any obvious defect detectable by the naked eye, Alnylam will notify Tekmira within five (5) Business Days of Alnylam or its designee(s)' receipt of the Product.

8.3.2 Alnylam will be entitled, at its cost and expense, to inspect the Batch Documentation provided under Section 8.1 to ensure compliance with applicable Specifications, and to test (using Methods set forth in the Specifications) each Batch and the documentation applicable to such Batch to determine whether the Product complies with the CoA, and, with respect to GMP Batches, with the MBR, Specifications, cGMP and Applicable Laws

8.4 Sharing Batch Risk

8.4.1 If Alnylam does not accept a Batch within fifteen (15) Business Days of the later of (a) receipt of the Product as described in Section 8.3 or (b) Alnylam's receipt and review of the applicable Batch Documentation and samples for such Batch in accordance with Section 8.1, and if the Parties cannot agree on a course of action, either through the Joint Development and Manufacturing Committee or otherwise, an independent laboratory in the United States which is acceptable to both Parties will test the Batch in dispute (the "**Disputed Batch**") to determine whether the Disputed Batch meets Specifications, and both Parties hereby agree to accept and be bound by the findings of such independent laboratory absent manifest error, false documentation or wilful misconduct by such laboratory. The Parties will provide such independent laboratory will the Specifications, Batch Documentation, and other information required to conduct such tests and analysis necessary to make the requested findings.

8.4.2 If such laboratory finds, or the Parties otherwise agree, that the Disputed Batch meets the Specifications [**], or if Alnylam makes any use of the Disputed Batch in pre-clinical or clinical testing, Alnylam will be deemed to have accepted such Batch and Alnylam shall, in addition, pay the fees for such independent laboratory testing and will promptly authorize the release of such Product and make payment to Tekmira for such Batch pursuant to Article 4.

8.4.3 If the Disputed Batch is an At-Risk Batch, and such independent laboratory finds, or the Parties otherwise agree, that such At-Risk Batch failed to meet Specifications [**], Tekmira shall

provide a replacement Batch, which will be treated for purposes of Article 4 as if it were a new Batch called for under the applicable Work Order, and the aggregate Price for the Supply Services provided with respect to the failed At-Risk Batch and with respect to such replacement Batch will equal the sum of the amounts called for under Article 4 for both such Batches; provided, however, that in the event that [**], then such At-Risk Batch will (a) be subject to Section 8.4.4., and will be treated as a Disputed Batch which is not an At-Risk Batch for purposes of Section 8.4.4 and (b) be an At-Risk Batch for all other purposes.

8.4.4 If such independent laboratory finds, or the Parties otherwise agree, that a Disputed Batch (other than an At-Risk Batch) failed to meet Specifications when delivered to Alnylam or its designee, whether or not due to Tekmira's negligence or a breach by Tekmira of its obligations under this Agreement, and Alnylam makes no use of the Disputed Batch in pre-clinical or clinical testing, Tekmira shall provide a replacement Batch, and the aggregate Price for the Supply Services provided with respect to the failed Batch and to be provided with respect to such replacement Batch shall equal the Price for the failed Batch plus the Materials Cost and Third Party Costs attributable to the replacement Batch, it being understood and agreed that Alnylam will supply and bear the costs of all Alnylam Materials to be incorporated into the replacement Batch and Tekmira will bear the other costs incurred as a result of having to run such replacement Batch, and, in addition, Tekmira shall, pay the fees and costs incurred in connection with the testing conducted by the independent laboratory; provided, however, that Alnylam shall pay the costs of the independent laboratory with respect to the testing of any non-GMP Batch regardless of the findings of such independent laboratory.

8.4.5 If such independent laboratory finds, or the Parties otherwise agree, that the Disputed Batch failed to meet Specifications due to handling, events or other causes following delivery of such Batch to Alnylam or its designee, Tekmira shall provide a replacement Batch, which will be treated for purposes of Article 4 as if it were a new Batch called for under the applicable Batch Work Order, and the aggregate Price for the Supply Services provided with respect to the failed Batch and with respect to such replacement Batch will equal the sum of the amounts called for under Article 4 for both such Batches.

Article 9
Inspections and Inquiries

9.1 Quality Assurance Audits of Suppliers

Tekmira will, at its expense and with reasonable frequency in accordance with current industry standards, conduct quality assurance audits of the facilities and operations of Third Parties and the suppliers of Tekmira Materials related to Manufacture of Product and Alnylam may, upon reasonable prior written notice to Tekmira, review and inspect at Tekmira's Facilities copies of Tekmira's audit reports, redacted as appropriate. Tekmira will give Alnylam notice at least thirty (30) days in advance of any such audit and allow Alnylam personnel to accompany Tekmira during such audit.

9.2 Records

Subject to Section 11.3, Tekmira shall provide Alnylam with the Appendix II Information and, in addition, agrees to the following:

9.2.1 Tekmira will disclose to Alnylam, records, policies and procedures (including without limitation, reports, accounts, notes, data, SOPs, and records of all information and results) that Tekmira generates or utilizes in the Manufacture of a particular Product only to the extent that, in Alnylam's reasonable judgment, such records, policies and procedures are necessary or useful for submission to a Regulatory Authority directly in connection with the testing or approval of such Product (collectively, the "**Records**");

9.2.2 to the extent such Records relate exclusively to Products or certain Confidential Information of Alnylam, Tekmira will not transfer, deliver or otherwise provide any such Records to any party other than Alnylam without the prior written approval of Alnylam, except to Regulatory Authorities as required by Applicable Law;

9.2.3 Records will be available at reasonable times for inspection, examination and copying by or on behalf of Alnylam;

9.2.4 all original Records of the Manufacture of Product under this Agreement will be retained and archived by Tekmira in accordance with cGMP (if applicable) and Applicable Law, but in no case for less than a period of five (5) years following completion of the applicable Work Order;

9.2.5 upon Alnylam's written request, Tekmira will promptly provide Alnylam with copies of such Records at a reasonable cost. Tekmira will notify Alnylam in writing prior to destroying any Records and will cooperate with Alnylam at Alnylam's cost, should Alnylam wish to have such Records transferred to Alnylam or a designee.

9.3 Access to Facilities, Personnel and Records

Subject to the restrictions set forth in the Restated Tekmira LCA and Restated Protiva CLA with respect to the use and sublicensing of Tekmira Technology, Protiva Patent Rights and Licensed Information (as defined in such agreements) and provided that in no event shall Tekmira be required to provide any Formulation Design Know-How, Alnylam and its Representatives will have the right:

9.3.1 to inspect those sections of Tekmira's Facilities used in the Manufacture of the Product or its components and to interview all relevant personnel to review and make such copies of such Records reasonably necessary to verify Tekmira's compliance under this Agreement, the Specifications, cGMP, the FDCA, and any other Applicable Laws:

(a) twice per year during the first and annually thereafter, on ten (10) Business Days prior notice and during regular business hours, or

(b) without notice, in the event that Alnylam has reasonable doubt that Product has been Manufactured by Tekmira in accordance with the terms of this Agreement; and

9.3.2 to be present at Tekmira's Facilities during any inspection of Tekmira or Tekmira's Facilities by any Regulatory Authorities, to be consulted when Product specific questions are posed by Regulatory Authorities and, upon the written request of Tekmira, to observe or participate in such inspection to the extent it relates directly to the Manufacturing of the Product. Tekmira will notify Alnylam promptly after learning that any such inspection is being conducted or will be conducted, and in any event within one Business Day of learning of same.

9.4 Inspections and Investigations by Regulatory Authorities

Tekmira agrees to notify Alnylam as soon as practicable of any unannounced regulatory inspection, and to notify Alnylam within one (1) Business Day following receipt of any notice of inspections or other similar notifications by Regulatory Authorities which notice pertains to the Product being Manufactured for supply to Alnylam pursuant to this Agreement, other matters within the scope of this Agreement, or the Facilities to the extent it relates to the Product being Manufactured for supply to Alnylam pursuant to this Agreement, and will provide to Alnylam within three (3) Business Days after receipt of the above notification(s) copies of all correspondence, reports, notices, findings and other material pertinent to such inspections, as they are received or produced by Tekmira. Tekmira will allow, and will provide Alnylam with any required authorization to allow Regulatory Authorities to inspect, audit and review the Facilities to the extent it relates to the Product being Manufactured for supply to Alnylam pursuant to this Agreement, and all procedures, practices, books, Records, and documents to the extent requested by

Regulatory Authorities. Within one (1) Business Day following Tekmira's receipt of FDA Forms 482, 483, or warning letters in respect of the Product, or upon receipt of similar notifications from Regulatory Authorities other than the FDA, Tekmira will notify Alnylam thereof and will provide Alnylam copies of same upon Alnylam's written request. Tekmira and Alnylam agree to cooperate with each other during any inspection, investigation or other inquiry by Regulatory Authorities, including providing information and documentation as requested by such Regulatory Authorities. Tekmira and Alnylam also agree to discuss any response to observations or notifications received and to give the other Party an opportunity to comment on any proposed response before it is made. In the event of any disagreement concerning the form or content of such response, however, Alnylam will be responsible, acting reasonably and in good faith, for deciding the appropriate form and content of any response relating to the Product. Tekmira will permit Alnylam Representatives to be present during such inspections.

9.5 Regulatory Responsibilities

9.5.1 Tekmira will be responsible for maintaining and fulfilling all Applicable Laws with respect to the Product that are imposed upon Tekmira as the manufacturer thereof. Alnylam and its designees will only refer to or identify Tekmira in Alnylam's Product labelling as may be required by Applicable Laws. Tekmira will, on a timely basis, provide Alnylam with all information that Tekmira has that is reasonably necessary and relevant to Alnylam's obligations to fulfill such requirements.

9.5.2 Alnylam will be responsible for obtaining, at its sole expense, all regulatory and governmental approvals and permits necessary for Alnylam's use of any Product Manufactured under this Agreement, including, without limitation, any IND submissions and any analogous submissions filed with appropriate Regulatory Authorities in the Territory.

9.5.3 Subject to the restrictions set forth in the Restated Tekmira LCA and Restated Protiva CLA with respect to the use and sublicensing of Tekmira Technology, Protiva Patent Rights and Licensed Information (as defined in such agreements) and provided that in no event shall Tekmira be required to provide any Formulation Design Know-How, Tekmira will provide Alnylam with all supporting data and information relating to the Manufacture of Product necessary for obtaining such approvals, including, without limitation, all Records, raw data, reports, authorizations, certificates, methodologies, Batch Documentation, Raw Material Specifications, SOPs, standard Methods, CoAs, Certificates of Compliance and other documentation in the possession or control of Tekmira relating to the Manufacture of Product (or any component thereof).

Article 10

Regulatory, Quality and Safety Issues

10.1 Adherence to Quality Agreement

On or before January 31, 2009, the Parties shall execute a new Quality Agreement to reflect the terms of this Agreement. Tekmira will perform all Supply Services in compliance with the terms of the Quality Agreement.

10.2 Withdrawals and Recalls of Product from Clinical Trials

If Alnylam is required or requested by any Regulatory Authority to recall any Product for any reason, or should Alnylam decide voluntarily to withdraw any Product, Alnylam will be responsible for co-ordinating such recall or withdrawal. Both Parties will cooperate fully with one another in connection with any such recall or withdrawal.

Article 11

Back-up Manufacturer and Technical Transfer

The terms and conditions of Article 5 of the Restated Tekmira LCA shall remain in effect, but, where there is any conflict between such terms and conditions and the terms and conditions set forth in this Article 11, the terms of this Article 11 will take precedence during the Term with respect to this Agreement and the Supply Services under this Agreement.

11.1 Exclusive Manufacturing Obligations

11.1.1 Alnylam hereby retains Tekmira as Alnylam's exclusive manufacturer to Manufacture and supply Alnylam's requirements of the Bulk Product for each Product, in each case for toxicology and other non-clinical studies and clinical development, through the completion of all Phase II Studies of such Product, as the case may be, that are initiated prior to the initiation of the first Phase III Study of such Alnylam Royalty Product or Alnylam Licensed Product, as the case may be; provided, however, that such exclusive supply engagement shall only apply during the Term and shall not apply to any Product (on a Product-by-Product basis):

(a) that Tekmira cannot or will not Manufacture (or is not or will not be able to Manufacture), to Alnylam's reasonable satisfaction, (w) at the requisite scale, in sufficient quantities, within requisite timelines as set forth in the first two Calendar Quarters contained in the most recent GMP Batch Forecast or, with respect to non-GMP Batches, based on the agreed Work Order, and in accordance with the applicable MBR, Specifications and other quality requirements for such Product, (x) [**] consecutive Batches (other than At-Risk Batches) of such Product meeting the requirements of this Agreement, (y) in accordance with all applicable laws and regulations (including without limitation the requirements of cGMP, if applicable), and (z) using a facility with respect to which Tekmira or its permitted subcontractor has obtained approval from the applicable Regulatory Authorities to Manufacture and supply such Product; or

(b) with respect to which Alnylam would be required to pay Tekmira an amount per Batch that is [**] greater than the cost per GMP Batch as quoted in a bona fide offer received by Alnylam from a Third Party (other than a Back-Up Manufacturer); provided, that the Specifications for such Bulk Product, and the batch size, quantity, and quality of Product would be at least reasonably comparable. In the event that Alnylam would be entitled under this clause (b) to obtain its requirements of the Bulk Product from a Third Party, then prior to Alnylam engaging such Third Party for such services, Tekmira may submit a revised per GMP Batch price quote for such Bulk Product and if Tekmira's revised per GMP Batch price quote is the same or better than the Third Party's quote, Alnylam shall continue to obtain its supply of such Bulk Product from Tekmira in accordance with this Agreement.

For purposes of clarity, Tekmira's obligations to qualify a Back-Up Manufacturer and to perform Technical Transfer will be performed in a reasonable timeframe that is consistent with the timeframes established by the Joint Development and Manufacturing Committee for the product development program for such Product, taking into account the need to qualify a Back-Up Manufacturer and Manufacture Product for such first Phase III Study sufficiently in advance of the initiation of such Phase III Study with respect to such Product in order that Alnylam will have sufficient supplies of such Product for commencement of such Phase III Study without delay.

11.1.2 Alnylam and Tekmira shall agree from time to time on one or more additional suppliers of Bulk Product (each a "**Back-Up Manufacturer**"), such that at all times, there is at least one primary

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manufacturer and at least one Back-Up Manufacturer. Initially, if qualified, [**] shall serve as a Back-Up Manufacturer acceptable to both Parties. Alnylam shall have the right to propose such Back-Up Manufacturer(s) and Tekmira shall have the right to consent to such Back-Up Manufacturer(s), which consent shall not be unreasonably withheld or delayed. [**].

11.1.3 Subject to Section 11.3, Tekmira shall promptly provide Technical Transfer to all such Back-Up Manufacturer(s) to the extent required to accomplish the timely qualification of such Back-Up Manufacturer(s). Within thirty (30) days after the Effective Date, Tekmira shall deliver to Alnylam, for review and approval, a Work Order containing a project overview for establishing and qualifying [**] as the initial Back-Up Manufacturer. This project overview will include contract manufacturing organization targets, timelines, equipment requirements, and both FTE and out-of-pocket expense estimates. As part of the qualification of such Back-Up Manufacturer, Alnylam shall have the right to have such Back-Up Manufacturer Manufacture Products in such amounts as may be necessary to ensure successful qualification of such Back-Up Manufacturer and as may be necessary to maintain such qualification. For clarity, qualification shall be deemed to have occurred if the Back-Up Manufacturer's facility is successfully audited (no critical deficiencies observed) by a Qualified Person (as such term is defined by the relevant Regulatory Authorities) in the applicable countries within the European Union. In addition, any manufacturing campaigns in excess of the minimum number of Batches required to maintain such Back-Up Manufacturer for Bulk Product shall be performed by Tekmira under Work Orders and this Agreement. In order to monitor Alnylam's compliance with this provision, Alnylam will provide Tekmira with an annual forecast and a written report, certified by an officer of Alnylam, of the quantities of finished dosage form obtained by Alnylam from all Back-Up Manufacturers.

11.2 Methods Transfer

Subject to Section 11.3, Tekmira will provide to each of the Third Parties utilized by Tekmira in the performance of the Supply Services, and to each Back-Up Manufacturer, the necessary training to enable each of them to perform the Methods each of them is entrusted or expected to perform. Tekmira will require each such Third Party and such Back-Up Manufacturer to provide Tekmira with documentary evidence to confirm their incorporation of each Method into their respective change control system and their successful performance of the new or revised Method. Such Method transfers from Tekmira will be completed in accordance with protocols to be established between Tekmira and each transferee.

11.3 Technical Transfer

11.3.1 Alnylam acknowledges and agrees that the transfer of Confidential Information and Intellectual Property owned or controlled by Tekmira and necessary for the Manufacture of a specific Product shall be used by the recipient of such Confidential Information and Intellectual Property (be it Alnylam or a Back-Up Manufacturer, or otherwise) solely for the purpose of Manufacturing the specific Product for which the Technical Transfer was conducted. For avoidance of doubt Alnylam acknowledges and agrees that:

(a) the Confidential Information and Intellectual Property owned or controlled by Tekmira and necessary for the Manufacture of a specific Product encompassed in any Technical Transfer by Tekmira can only be used: (i) by the recipient of the Technical Transfer, (ii) solely for the Manufacture or regulatory approval of the specific Product which formed the subject of the Technical Transfer and not for any other product (or Product), and (iii) where Alnylam is the recipient of any such Confidential Information and Intellectual Property, [**];

(b) the transfer by Tekmira of Tekmira Confidential Information and Tekmira Intellectual Property for the Manufacture of a specific Product does not grant to the recipient of such Technical Transfer any right or license of any kind to conduct further transfer of Tekmira Confidential Information and Tekmira Intellectual Property to any Person, for any purpose; and

(c) prior to the provision of any Methods under Section 11.2 or of any Technical Transfer or any other Tekmira Confidential Information and Tekmira Intellectual Property to any Third Party, including without limitation an alternate supplier, such Third Party shall be required to execute and deliver to Tekmira the written agreement(s) of such Third Party to be bound by the foregoing provisions of this Section 11.3.1 and by Article 14 of this Agreement, explicitly for the benefit of Tekmira, which agreement(s) must be in form and substance reasonably acceptable to Tekmira.

11.3.2 Tekmira will perform each Technical Transfer in accordance with Technical Transfer protocols to be established between Tekmira and each Back-Up Manufacturer, with Alnylam's approval, which approval shall not unreasonably withheld or delayed, all of which protocols and other documentation arising from the performance Technical Transfer activities shall constitute the Confidential Information of Tekmira.

11.4 The Parties agree to negotiate in good faith at the appropriate time Tekmira's Manufacture of Alnylam's requirements of the Bulk Product for Phase III Studies and commercial sale if Tekmira or its Affiliate is qualified and capable of performing this Manufacture in the appropriate timeframe; provided, however, that nothing in this Agreement shall be deemed to be a binding obligation of either Party to enter into such a transaction.

11.5 As of the Effective Date, the Manufacturing Plan will terminate and be replaced by Work Orders under this Supply Agreement.

Article 12

Representations, Warranties and Covenants of the Parties

12.1 Mutual Representations and Warranties.

Each Party represents and warrants to the other Party that as of the Effective Date of this Agreement:

12.1.1 It is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate or other power and authority to enter into this Agreement and to carry out the provisions hereof. Further, except for any approvals from Regulatory Authorities, pricing and/or reimbursement approvals, manufacturing approvals and/or similar approvals necessary for the Manufacture of Products, all necessary consents, approvals and authorizations of all Regulatory Authorities required to be obtained by such Party as of the Effective Date in connection with the execution, delivery and performance of this Agreement to which it is a party have been obtained by the Effective Date.

12.1.2 It is duly authorized to execute and deliver this Agreement, and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate action.

12.1.3 This Agreement is legally binding upon it and enforceable in accordance with its terms. The execution, delivery and performance of this Agreement and does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party and by which it may be bound, or with its charter or by-laws.

12.1.4 It has not, and will not during the Term, grant any right to any Third Party which would conflict with the rights granted to the other Party hereunder. It has (or will have at the time performance is due) maintained and will maintain and keep in full force and effect all agreements (including license agreements) and filings (including patent filings) necessary in such Party's reasonable judgment to perform its obligations hereunder. Further, (a) the execution and delivery of this Agreement by such Party, (b) the performance of such Party's obligations hereunder, do not conflict with or violate any requirement of applicable laws or regulations existing as of the Effective Date and applicable to such Party.

12.1.5 Neither Party nor any of its Affiliates has been debarred or is subject to debarment and neither Party nor any of its Affiliates will use in any capacity, in connection with this Agreement or, in the case of Tekmira, in connection with the Supply Services, any person or entity that has been debarred pursuant to Section 306 of the United States Federal Food, Drug, and Cosmetic Act, or that is the subject of a conviction described in such section. Each Party agrees to inform the other Party in writing immediately if it or any Person that is performing activities in connection with this Agreement is debarred or is the subject of a conviction described in Section 306, or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to the best of the notifying Party's knowledge, is threatened, relating to the debarment or conviction of the notifying Party or any person or entity used in any capacity by such Party or any of its Affiliates in connection with this Agreement or the Supply Services provided hereunder.

12.2 Tekmira Representations and Warranties.

Tekmira represents and warrants to Alnylam that:

12.2.1 The Supply Services will be performed with care, skill and diligence in accordance with Applicable Laws and industry standards, and by individuals who are appropriately trained and qualified;

12.2.2 At the time of delivery to Alnylam, the Product Manufactured under this Agreement will not be adulterated or misbranded under the FDCA or other Applicable Laws.

12.3 Compliance with Law

Alnylam and Tekmira each hereby covenants to the other that it will comply with the Specifications and Applicable Laws applicable to Manufacturing the Product, in the case of Tekmira, and use of the Product in clinical trials, in the case of Alnylam, and to the performance of its respective obligations hereunder.

12.4 Exclusions of Other Warranties

EXCEPT AS EXPRESSLY PROVIDED IN THIS ARTICLE 12, NEITHER PARTY MAKES ANY REPRESENTATION OR WARRANTY AS TO ANY PRODUCT, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, AND EACH PARTY SPECIFICALLY DISCLAIMS ANY AND ALL IMPLIED OR STATUTORY WARRANTIES, INCLUDING WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE AND WARRANTY OF NON-INFRINGEMENT.

Article 13
Term and Termination

13.1 Term and Termination

13.1.1 This Agreement will take effect as of the Effective Date and, unless earlier terminated pursuant to this Section 13, will expire upon the earlier to occur of (a) the last to occur of the expiration or termination of the "Agreement Term" as defined in the Restated Tekmira LCA or the expiration or termination of the licenses granted to Alnylam under Article IV of the Restated Protiva CLA, and (b) termination of this Agreement by Alnylam pursuant to Sections 11.4 or 11.6 of the Restated Tekmira LCA (provided, however, that the reference to "Article 5" in such Section 11.6 shall instead be deemed a reference to Article 11 of this Agreement, the reference to the "Quality Agreement" shall mean the Quality Agreement (as defined in this Agreement) and the reference to the "Supply Agreement" shall mean this Agreement).

13.1.2 Alnylam shall have the right to terminate a Work Order at any time on at least ten (10) Business Days' prior notice to Tekmira, subject to Alnylam's obligations under Section 13.2 with respect to such Work Order.

13.2 Effect of Termination

13.2.1 Orderly Termination. Tekmira will, upon termination or expiration of this Agreement or any pending Work Order, promptly cease performance of all applicable Supply Services and will take all reasonable steps to mitigate the out-of-pocket expenses incurred in connection therewith. In particular, Tekmira will:

(a) perform only those services and activities mutually agreed upon by Alnylam and Tekmira as being necessary or advisable in connection with the close-out of any affected pending Work Order(s);

(b) immediately cancel, to the greatest extent possible, any Third Party obligations applicable to any affected pending Work Order(s);

(c) promptly inform Alnylam of any irrevocable commitments made in connection with any affected pending Work Order(s), and Alnylam shall reimburse Tekmira for the Third Party Costs attributable to such irrevocable commitments;

(d) promptly return to the vendor for a refund all unused, unopened Materials in Tekmira's possession that are related to any affected pending Work Order; and

(e) promptly inform Alnylam of any remaining unused, unreturnable Tekmira Materials ordered pursuant to any affected pending Work Order(s), and Alnylam shall purchase the same and Tekmira shall deliver such Materials to Alnylam (or its designee) upon payment of [**] to Tekmira of the Materials Cost attributable thereto.

13.2.2 Upon any expiration or termination of this Agreement or a pending Work Order, Alnylam (a) will, with respect to any Product then in process, pay Tekmira for any non-cancellable costs incurred up to and including the date of such expiration or termination and pay Tekmira for that portion of the Price that is allocable (on the basis of percentage of completion) to the Supply Services conducted under the affected Work Order(s) to the date of the expiration or termination, upon presentation of satisfactory evidence that such Supply Services were conducted, all in

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accordance with Article 4, and (b) will purchase from Tekmira any existing inventories of Product acceptable in accordance with Article 8, at the price for such Product determined under Article 4.

13.2.3 The termination of this Agreement for any reason will be without prejudice to:

(a) at Alnylam's option and written request, and subject to the terms of this Agreement, Tekmira will, continue to perform its obligations hereunder in respect of any Work Orders entered into prior to the effective date of such termination, and Alnylam will pay Tekmira for Supply Services received in accordance with such Work Order(s);

(b) any other legal, equitable or administrative remedies as to which either Party may then or thereafter become entitled.

13.2.4 In the event of a termination of this Agreement by either Party, the Quality Agreement will terminate on the same effective date of termination as this Agreement, subject to any continuing or surviving obligations as set forth in each such agreement.

13.2.5 In the event of termination pursuant to Section 13.1.1(b) of this Agreement, Tekmira's obligations under Sections 11.1.2 and 11.3 shall survive termination of this Agreement; *provided, however*, that Alnylam may select, as the primary manufacturer or as a Back-Up Manufacturer, any entity engaged in the contract manufacturing of pharmaceutical products for unaffiliated Third Parties to be the recipient of such Technical Transfer without regard to the requirement in Section 11.1.2 that Tekmira approve such entity; *provided, further, however*, that if Alnylam selects an entity that is also engaged in the research or development of pharmaceutical products, Tekmira shall only be required to complete such Technical Transfer to the division, department or portion of such entity that is engaged in the contract manufacturing of pharmaceutical products for unaffiliated Third Parties, and Alnylam shall, in addition to the requirements set forth in Section 11.3, contractually require, explicitly for the benefit of Tekmira, that such recipient of Technical Transfer not share any of the information so transferred with any members of such organization not directly involved in the contract manufacture of Products on behalf of Alnylam, or required for regulatory approval of such Product.

13.3 Continuing Obligations; Survival

13.3.1 Termination of this Agreement for any reason will not relieve the Parties of any obligation accruing prior thereto and any ongoing obligations hereunder and will be without prejudice to the rights and remedies of either Party with respect to any antecedent breach of the provisions of this Agreement.

13.3.2 The following shall survive any termination or expiration of this Agreement and continue to be enforceable: (i) the provisions of Articles 1 and 12 through 16, (ii) with respect to Supply Services conducted prior to the effectiveness of any termination or expiration or conducted pursuant to Section 13.2.1 following any such termination or expiration, the provisions of Articles 4, 6 and 8, (iii) Sections 7.10, 7.11, 7.12, 9.2, 9.5, 10.1, 10.2, 11.3, and 11.4, and (iv) any provisions which by their nature are intended to survive any termination or expiration of this Agreement.

13.4 Other Remedies

Sections 13.1 and 13.2 will not be exclusive and will not be in lieu of any other remedies available to a Party hereto for any default hereunder on the part of the other Party.

13.5 Returned Materials

13.5.1 Tekmira and Alnylam will each return to the other within thirty (30) days of the effective date of termination of this Agreement, all Confidential Information, Materials and other materials that it

possesses or controls that belongs to the other, except that each Party's legal counsel may retain a copy of the Confidential Information for record keeping purposes; provided, however, that, subject to Section 11.3, Back-Up Manufacturers shall have the right to retain and continue to use any Confidential Information, Materials and other materials which such Back-Up Manufacturer was permitted to use pursuant to Article 11 hereof prior to termination.

13.5.2 Tekmira will return temperature sensitive Material in accordance with applicable Specifications or permit Alnylam to enter onto Tekmira's Facilities to retrieve such Material.

Article 14
Confidentiality and Intellectual Property

14.1 Non-Use and Non-disclosure of Confidential Information.

14.1.1 Each Party agrees that all Confidential Information of a Party that is disclosed by a Party to the other Party (a) will not be used by the receiving Party except in connection with the activities contemplated by this Agreement or in order to further the purposes of this Agreement, (b) will be maintained in confidence by the receiving Party, and (c) (without prejudice to the additional restrictions and conditions of Section 11.3, where applicable) will not be disclosed by the receiving Party to any Third Party who is not a consultant, advisor or Back-Up Manufacturer under an obligation of confidentiality to, the receiving Party or an Affiliate of the receiving Party, without the prior written consent of the disclosing Party. Notwithstanding the foregoing, the receiving Party will be entitled to use and disclose Confidential Information of the disclosing Party which (i) was known by the receiving Party or its Affiliates prior to its date of disclosure by the disclosing Party to the receiving Party as demonstrated by legally admissible evidence available to the receiving Party or its Affiliates, (ii) either before or after the date of the disclosure such Confidential Information is lawfully disclosed to the receiving Party or its Affiliates by sources other than the disclosing Party, (iii) either before or after the date of the disclosure by the disclosing Party to the receiving Party such Confidential Information becomes published or otherwise part of the public domain through no fault or omission on the part of the receiving Party or its Affiliates, (iv) is independently developed by or for the receiving Party or its Affiliates without reference to or in reliance upon the Confidential Information as demonstrated by legally admissible evidence available to the receiving Party or its Affiliates, (v) is reasonably necessary to conduct clinical trials or to obtain regulatory approval of the Products or for the prosecution and maintenance of patent rights, (vi) is reasonably required in order for a Party to obtain financing or conduct discussions with partners so long as such Third Party recipients are bound by an obligation of confidentiality, or (vii) in the reasonable judgment of the disclosing Party is required to be disclosed by the receiving Party to comply with applicable laws or regulations or legal process, including without limitation by the rules or regulations of the United States Securities and Exchange Commission or similar regulatory agency in a country other than the United States or of any stock exchange or NASDAQ, provided that the receiving Party provides prior written notice of such disclosure to the disclosing Party and takes reasonable and lawful actions to avoid or minimize the extent of such disclosure.

If a Party is required by judicial or administrative process to disclose Confidential Information that is subject to the non-disclosure provisions of this Section 14.1.1, such Party shall promptly inform the other Party of the disclosure that is being sought in order to provide the other Party an opportunity to challenge or limit the disclosure obligations. Confidential Information that is disclosed by judicial or administrative process shall remain otherwise subject to the confidentiality and non-use provisions of this Section 14.1.1, and the Party disclosing Confidential Information pursuant to law or court order shall take all steps reasonably practical,

including without limitation seeking an order of confidentiality, to ensure the continued confidential treatment of such Confidential Information. In addition to the foregoing restrictions on public disclosure, if either Party concludes that a copy of this Agreement must be filed with the United States Securities and Exchange Commission or similar regulatory agency in a country other than the United States, such Party shall seek the maximum confidential treatment available under applicable law, provide the other Party with a copy of this Agreement showing any sections as to which the Party proposes to request confidential treatment, provide the other Party with an opportunity to comment on any such proposal and to suggest additional portions of this Agreement for confidential treatment, and take such Party's reasonable comments into consideration before filing this Agreement.

14.1.2 Each Party agrees that it will provide Confidential Information received from the other Party solely to its employees, consultants and advisors, and the employees, consultants and advisors of its Affiliates or Back-Up Manufacturers as applicable, who have a legitimate business need to know and an obligation to maintain in confidence the Confidential Information of the disclosing Party. The disclosing Party is liable for any breach of the non-disclosure obligation of its consultants, advisors, Affiliates and Back-Up Manufacturers as applicable.

14.1.3 The Parties each acknowledge and recognizes the mutual interest in protecting business interests and trade secret information. Consequently, except for disclosures permitted pursuant to Section 14.1.1 and 14.1.2, either Party, its Affiliates, or their respective employees or consultants wishing to make a publication or a disclosure to a Third Party relating to the Product shall deliver to the other Party a copy of the proposed written publication or an outline of an oral disclosure at least thirty (30) days prior to submission for publication or presentation. The reviewing Party shall have the right (a) to propose modifications to the publication or presentation for patent reasons, trade secret reasons or business reasons, or (b) to request a reasonable delay in publication or presentation in order to protect patentable information. If the reviewing Party requests a delay, the publishing Party shall delay submission or presentation for a period of thirty (30) days to enable patent applications protecting each Party's rights in such information to be filed. Upon expiration of such thirty (30) days, the publishing Party shall be free to proceed with the publication or presentation. If the reviewing Party requests modifications to the publication or presentation, the publishing Party shall edit such publication to prevent disclosure of trade secret or proprietary business information prior to submission of the publication or presentation. With respect to any proposed publications or disclosures by investigators or academic or non-profit collaborators, such materials shall be subject to review under this Section 14.1.3 to the extent that Tekmira or Alnylam, as the case may be, has the right and ability (after using reasonable efforts) to do so.

14.2 Intellectual Property Rights

Ownership and other rights relating to any Intellectual Property first identified, discovered or developed in the course of the activities conducted pursuant to this Agreement will be governed by the terms and conditions of the Restated Tekmira LCA and Restated Protiva CLA.

14.3 Injunctive Relief

Each Party acknowledges the competitive and technical value and the sensitive and confidential nature of the Confidential Information and agrees that monetary damages alone will be inadequate to protect the other Party's interests against any actual or threatened material breach of Section 14.1 of this Agreement. Accordingly, each Party consents to the granting of specific performance and injunctive or other equitable relief to the other Party in respect of any actual or threatened breach of Article 11 and Section 14.1 of this Agreement, without proof of actual Damages. These specific remedies are in addition to any other remedy to which the Parties may be entitled at law or in equity.

Article 15
Indemnification and Insurance

15.1 Indemnification by Alnylam

15.1.1 Alnylam agrees to indemnify, defend and hold Tekmira and its directors, officers, employees, consultants and agents ("**Tekmira Indemnities**") harmless from and against any Damages resulting from or arising out of:

(a) Specifications, procedures, processes, and Alnylam Materials provided by Alnylam and unmodified by Tekmira;

(b) Alnylam's use of Products;

(c) the breach by Alnylam of its representations, warranties or obligations under this Agreement; and

(d) the negligence or wilful misconduct of Alnylam, its Affiliates, licensees, or distributors, and their employees or agents;

15.1.2 Notwithstanding the foregoing Section 15.1.1, Alnylam will not be required to indemnify, defend and hold Tekmira harmless from and against any claims to the extent they arise out of or result from, directly or indirectly:

(a) the breach of or inaccuracy in any of the representations, warranties or obligations of Tekmira under this Agreement;

(b) any breach or violation of any covenant or agreement of Tekmira in or pursuant to this Agreement; or

(c) the negligence or wilful misconduct of Tekmira, its Affiliates, employees, Third Parties utilized by Tekmira in its performance of the Supply Services, or agents.

15.2 Indemnification by Tekmira

15.2.1 Tekmira agrees to indemnify, defend and hold Alnylam and its directors, officers, employees, consultants and agents ("**Alnylam Indemnities**") harmless from and against any Damages resulting from or arising out of:

(a) the breach by Tekmira of its representations, warranties or obligations under this Agreement; or

(b) the negligence or wilful misconduct of Tekmira, its Affiliates, employees, Third Parties utilized by Tekmira in its performance of the Supply Services, or its agents.

15.2.2 Notwithstanding the forgoing Section 15.2.1, Tekmira will not be required to indemnify, defend and hold Alnylam harmless from and against any claims to the extent they arise out of or result from, directly or indirectly:

(a) Alnylam's provision of Specifications, procedures, processes, or Alnylam Materials;

(b) Alnylam's use of Products;

(c) the breach or inaccuracy in any of the representations, warranties or obligations of Alnylam under this Agreement;

(d) any breach or violation of any covenant or agreement of Alnylam in or pursuant to this Agreement; or

(e) the negligence or wilful misconduct of Alnylam, its Affiliates, licensees, or distributors, and their employees or agents.

15.3 Remedy

The indemnification provided for in this Agreement will not be exclusive and will not be in lieu of any other remedies available to a Party hereto for any default hereunder on the part of the other Party.

15.4 LIMITATION OF LIABILITY

NEITHER PARTY HERETO WILL BE LIABLE FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES ARISING OUT OF THIS AGREEMENT OR THE EXERCISE OF ITS RIGHTS HEREUNDER OR THEREUNDER, INCLUDING LOST PROFITS ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF SUCH DAMAGES, EXCEPT AS A RESULT OF A PARTY'S WILLFUL MISCONDUCT OR A MATERIAL BREACH OF THE CONFIDENTIALITY AND NON-USE OBLIGATIONS IN ARTICLE 14. NOTHING IN THIS SECTION 15.4 IS INTENDED TO LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF EITHER PARTY.

15.5 Notice and Opportunity To Defend

Promptly after receipt by a Party hereto of notice of any claim which could give rise to a right to indemnification pursuant to Sections 15.1 or 15.2, such Party (the "**Indemnified Party**") will give the other Party (the "**Indemnifying Party**") written notice describing the claim in reasonable detail. The failure of an Indemnified Party to give notice in the manner provided herein will not relieve the Indemnifying Party of its obligations under this Section, except to the extent that such failure to give notice materially prejudices the Indemnifying Party's ability to defend such claim. The Indemnifying Party will have the right, at its option, to compromise or defend, at its own expense and by its own counsel, any such matter involving the asserted liability of the Party seeking such indemnification. If the Indemnifying Party will undertake to compromise or defend any such asserted liability, it will promptly (and in any event not less than ten (10) Business Days after receipt of the Indemnified Party's original notice) notify the Indemnified Party in writing of its intention to do so, and the Indemnified Party agrees to cooperate fully with the Indemnifying Party and its counsel in the compromise or defence against any such asserted liability. All reasonable costs and expenses incurred in connection with such co-operation will be borne by the Indemnifying Party. If the Indemnifying Party elects not to compromise or defend the asserted liability, fails to notify the Indemnified Party of its election to compromise or defend as herein provided, fails to admit its obligation to indemnify under this Agreement with respect to the claim, or, if in the reasonable opinion of the Indemnified Party, the claim could result in the Indemnified Party becoming subject to injunctive relief or relief other than the payment of money damages that could materially adversely affect the ongoing business of the Indemnified Party in any manner, the Indemnified Party will have the right, at its option, to pay, compromise or defend such asserted liability by its own counsel and its reasonable costs and expenses will be included as part of the indemnification obligation of the Indemnifying Party hereunder. Notwithstanding the foregoing, neither the Indemnifying Party nor the Indemnified Party may settle or compromise any claim over the objection of the other; provided however, that consent to settlement or compromise will not be unreasonably withheld. In any event, the Indemnified Party and the Indemnifying Party may participate, at their own expense, in the defence of such asserted liability. If the Indemnifying Party chooses to defend any claim, the Indemnified Party will make available to the Indemnifying Party any books, records or other documents within its control that are necessary or appropriate for such defence. Notwithstanding anything to the contrary in this Section 15.5, (i) the Party conducting the defence of a claim will (A) keep the other Party informed on a reasonable and timely basis as to the status of the defence of such claim, and (B) conduct the defence of such claim in a prudent manner, and (ii) the Indemnifying Party will not cease to defend, settle or otherwise dispose of any claim without the prior written consent of the Indemnified Party (which consent will not be unreasonably withheld).

15.6 Insurance

(a) For the term of this Agreement, any renewals thereof, and for a period of five (5) years after the expiration of this Agreement or the earlier termination thereof with a reputable, solvent insurer having a minimum AM Best rating of at least "A," Alnylam will obtain and maintain, and will cause their respective Affiliates to obtain and maintain, at their respective sole cost and expense, comprehensive general liability insurance and product liability insurance including clinical trial insurance in amounts which are reasonable and customary in the pharmaceutical industry in North America for companies of comparable size and activities; but with limits of no less than [**] per occurrence and [**] in the aggregate providing coverage on a worldwide basis for occurrences and claims made;

(b) Tekmira will obtain and maintain, and will cause their respective Affiliates to obtain and maintain, at their respective sole cost and expense, the insurance coverages specified in Section 9.8(b) of the Restated Tekmira LCA; and

(c) each of the Parties will maintain workplace safety insurance and/or workers compensation insurance coverage for each of their employees, agents (delete agents), and sub-contractors pursuant to the requirements of any applicable local, state, or federal workplace safety insurance board and any successor agency.

15.6.2 Each Party will be entitled to request the other Party to produce, from time to time, copies of current certificates of insurance in respect of the insurance policies required to be effected and maintained herein, and each Party will, within thirty (30) days following such request, provide current copies of said documentation. The insured shall endeavour to provide thirty (30) days prior written notice to the other Party in the event of cancellation.

Article 16

General

16.1 Assignment and Subcontracting

The rights and obligations covered hereunder are personal to each Party hereto and for this reason this Agreement will not be assignable by either part in whole or in part, nor will either Party subcontract any of its obligations hereunder without the prior written consent of the other Party; provided however, that the restriction contained herein will in no way limit the rights of either Party to assign or subcontract to any of its Affiliates, or to a party that acquires, by merger, sale of assets or otherwise, all or substantially all of the business of such Party to which the subject matter of this Agreement relates. . This Agreement will be binding upon and will enure to the benefit of the Parties hereto and to any permitted assignee or successor of either Party. Subject to other provisions of this Section 16.1, if one Party validly assigns or subcontracts any or all of its obligations hereunder, such assigning Party agrees to remain bound by all of its responsibilities and obligations hereunder. Any and all assignments of this Agreement or any interest herein not made in accordance with this Section 16.1 will be void *ab initio*.

16.2 Amendment

This Agreement may be modified or amended only by written agreement of the Parties hereto.

16.3 Captions

All section titles or captions contained in this Agreement and contained in any exhibit or appendix referred to herein or annexed to this Agreement are for convenience only, will not be deemed a part of this Agreement and will not affect the meaning or interpretation of this Agreement.

***Confidential Treatment Requested.**

16.4 Construction

This Agreement will be deemed to have been drafted by both Tekmira and Alnylam after extensive negotiations and will not be construed against either Party as the draftsperson hereof.

16.5 Counterparts

This Agreement may be executed in any number of counterparts, each of which will be deemed an original but all of which together will constitute a single instrument.

16.6 Dispute Resolution

16.6.1 **Disputes.** The Parties shall negotiate in good faith and use reasonable efforts to settle any dispute, controversy or claim arising from, or related to, this Agreement or to the breach hereof (collectively, "**Dispute**"). In the event that the Executive Officers cannot reach an agreement regarding a Dispute within thirty (30) days after submission to them for resolution and a Party wishes to pursue the matter, each such Dispute that is not an "**Excluded Claim**" shall be finally resolved by binding arbitration in accordance with the Commercial Arbitration Rules and Supplementary Procedures for Large Complex Disputes of the American Arbitration Association ("AAA") and Section 16.6.2 below, and judgment on the arbitration award may be entered in any court having jurisdiction thereof. As used in this Section 16.6, the term "**Excluded Claim**" shall mean a dispute that concerns (a) the validity or infringement of a patent, trademark or copyright, or (b) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory.

16.6.2 **Arbitration.** The arbitration shall be conducted by a panel of three (3) persons experienced in the pharmaceutical business who are independent of both Parties and neutral with respect to the Dispute presented for arbitration. Within thirty (30) days after initiation of arbitration, each Party shall select one person to act as arbitrator and the two Party-selected arbitrators shall select a third arbitrator within thirty (30) days of their appointment. If the arbitrators selected by the Parties are unable or fail to agree upon the third arbitrator, the third arbitrator shall be appointed by the AAA. The place of arbitration shall be Chicago, Illinois, USA, and all proceedings and communications shall be in English. Either Party may apply to the arbitrators for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of that Party pending the arbitration award. The arbitrators shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages. Each Party shall bear its own costs and expenses and attorneys' fees, and the Party that does not prevail in the arbitration proceeding shall pay the arbitrators' and any administrative fees of arbitration. Except to the extent necessary to confirm an award or as may be required by law, neither a Party nor an arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the Dispute, controversy or claim would be barred by the applicable Massachusetts statute of limitations.

(i) The Parties agree that, in the event of a Dispute over the nature or quality of performance under this Agreement, neither Party may terminate this Agreement until final resolution of the Dispute through arbitration or other judicial determination. The Parties further agree that any payments made pursuant to this Agreement pending resolution of the Dispute shall be refunded promptly if an arbitrator or court determines that such payments are not due.

(ii) The Parties hereby agree that any disputed performance or suspended performances pending the resolution of the arbitration that the arbitrator determines to be required to be performed by a Party must be completed within a reasonable time period following the final decision of the arbitrator.

(iii) The Parties agree that the decision of the arbitrator shall be the sole, exclusive and binding remedy between them regarding determination of the matters presented to the arbitrator.

16.6.3 Judgment upon the award may be entered in any court having jurisdiction, or application may be made to such court for judicial acceptance of the award and/or an order of enforcement as the case may be.

16.6.4 Either Party will be free to submit any Dispute relating to an Excluded Claim to any court having jurisdiction over the Parties and the subject matter of the Dispute and to seek such relief and remedies as are available in that court.

16.7 Entire Agreement

This Agreement and its appendices constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior agreements or understandings of the Parties relating thereto, including without limitation the MSA, but not including (unless otherwise explicitly stated in this Agreement) the Restated Tekmira LCA or the Restated Protiva CLA. Sections 5.3(a) and 5.3(b) are hereby stricken from the Restated Tekmira LCA, and 5.3(a) thereof shall be renumbered to be 5.3 (and the heading of such section shall be “Phase III and Commercial Supply.”)

16.8 Force Majeure

If either Party is prevented from complying, either totally or in part, with any of the terms or provisions set forth herein by reason of force majeure, including, by way of example and not of limitation, fire, flood, explosion, storm, riot, war, rebellion, accidents, acts of God, acts of governmental agencies or instrumentalities, or any other cause or externally induced casualty beyond its reasonable control, whether similar to the foregoing contingencies or not, said Party will provide written notice of same to the other Party. Said notice will be provided within seven (7) days of the occurrence of such event and will identify the requirements of this Agreement or such of its obligations as may be affected, and to the extent so affected, said obligations will be suspended during the period of such disability. The Party prevented from performing hereunder will use commercially reasonable efforts to remove such disability and will continue performance of the affected obligations whenever such causes are removed provided that the Party will throughout the period of disability continue performance of the non-affected obligations. The Party so affected will give to the other Party a good faith estimate of the continuing effect of the force majeure condition and the duration of the affected Party’s non-performance. If any raw materials, facility systems or capacity is used for both the affected Product and any other products or purposes, any necessary allocation will be made, on a substantially pro rata basis, as between Tekmira’s needs (including those of any Affiliate of Tekmira), Alnylam’s needs and the needs of any other Party to whom Tekmira has firm contractual obligations. If the period of any previous actual non-performance of Tekmira because of Tekmira force majeure conditions plus the anticipated future period of Tekmira non-performance because of such conditions will exceed an aggregate of one hundred eighty (180) days within any twenty-four (24) month period, Alnylam may terminate this Agreement by notice to Tekmira and any orders for Product then outstanding will be deemed cancelled. If the period of any previous actual non-performance of Alnylam because of Alnylam force majeure conditions plus the anticipated future period of Alnylam non-performance because of such conditions will exceed an aggregate of one hundred eighty (180) days within any twenty-four (24) month period, Tekmira may terminate this Agreement by notice to Alnylam and any orders for Product then outstanding will be deemed cancelled. When such circumstances as those contemplated herein arise, the Parties will discuss in good faith, what, if any, modification of the terms set forth herein may be required in order to arrive at an equitable solution.

16.9 Further Assurances

The Parties will both execute and deliver such further instruments and do such further acts as may be required to implement the intent of this Agreement.

16.10 Governing Law

This Agreement will be governed and construed in accordance with the laws of the State of Delaware, U.S.A.; provided that (i) matters of intellectual property law concerning the existence, validity, ownership, infringement or enforcement of intellectual property shall be determined in accordance with the national intellectual property laws relevant to the intellectual property in question, and (ii) the application of the 1980 United Nations Convention on Contracts for the International Sale of Goods is expressly excluded from this Agreement.

16.11 Independent Contractors

This Agreement will not constitute or give rise to any employer-employee, agency, partnership or joint venture relationship among or between the Parties, and each Party's performance hereunder is that of a separate, independent entity.

16.12 No Implied Rights

Except as otherwise expressly provided in this Agreement between the Parties, nothing in this Agreement will be deemed or implied to be the grant by one Party to the other of any right, title or interest in the Product, any Confidential Information, trade mark, trade dress or any other Intellectual Property or any other proprietary right of the other.

16.13 No Joint Venture

Nothing contained herein will be deemed to create any joint venture or partnership between the Parties hereto, and, except as is expressly set forth herein, neither Party will have any right by virtue of this Agreement to bind the other Party in any manner whatsoever.

16.14 No Third-Party Rights

No provision of this Agreement will be deemed or construed in any way to result in the creation of any rights or obligation in any Person not a Party to this Agreement.

16.15 No Waiver; Remedies

No delay on the part of Tekmira or Alnylam in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any waiver on the part of either Tekmira or Alnylam of any right, power or privilege hereunder operate as a waiver of any other right, power or privilege hereunder nor will any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

16.16 Notices

All notices or other communications required or permitted to be given hereunder will be in writing and will be deemed to have been duly given if delivered by hand, prepaid telex, cable, telegram or facsimile and confirmed in writing, courier service, or mailed first class, postage prepaid, by registered or certified mail, return receipt requested (mailed notices and notices sent by telex, cable, telegram or courier will be deemed to have been given on the date received) as follows:

If to Alnylam:

Alnylam Pharmaceuticals, Inc.
300 Third Street, Third Floor
Cambridge, Massachusetts 02142 U.S.A.
Telephone: 617-551-8289
Facsimile: 617-575-7315
Attn: Vice President, Legal

And to:

Faber Daeufer & Rosenberg PC
950 Winter Street, Suite 4500
Waltham, Massachusetts 02451
Telephone: 781-795-4700
Facsimile: 781-795-4747
Attention: Sumy Daeufer

If to Tekmira:

Tekmira Pharmaceuticals Corporation
8900 Glenlyon Parkway
Burnaby, B.C. V5J 5J8 Canada
Telephone: 604 419-3200
Facsimile: 604 419-3201
Attention: To the attention of VP, Pharmaceutical Development

And to:

Fenwick & West LLP
1191 Second Avenue, 10th Floor
Seattle, WA 98101
Telephone: 206 389-4510
Facsimile: 206 389-4511
Attention: Roger M. Tolbert, Esq.

or in any case to such other address or addresses as hereafter will be furnished as provided in this Section 16.16 by any Party hereto to the other Party.

16.17 Publicity and Public Statements

Tekmira and Alnylam each agree not to disclose the terms of this Agreement in any public statements, whether oral or written, including, but not limited to, shareholder reports, communications with stock market analysts, statements to other customers or prospective customers, press releases or other communications with the media, or prospectuses, without the other Party's prior written consent, which will not be unreasonably withheld or delayed, or as required by Applicable Law; provided, however, that either Party may disclose any information required by the rules and regulations of applicable securities regulatory authority or similar federal, state, provincial or foreign authorities, as determined in good faith by the disclosing Party. Where permitted by law, each Party will give the other reasonable advance written notice of a disclosure required by Applicable Law and will cooperate with the other Party with respect to seeking permitted redactions from such disclosure.

16.18 Severability

If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective while this Agreement remains in effect, the legality, validity and enforceability of the remaining provisions will not be affected thereby.

16.19 No Solicitation or Hiring of Employees

Except as otherwise agreed between the Parties, until January 1, 2012, nor at any time thereafter during the Term, neither Alnylam nor Tekmira (and neither of their respective Affiliates) will, without the prior consent of the other Party, solicit the employment of or hire any officer or employee who during the course of employment with the other Party was involved in a material manner with the Supply Services under any Work Order in the five (5) months prior to such solicitation and who when solicited or to be hired is a current employee of the other Party. For clarity, placing an advertisement in a newspaper, periodical or other publication of general availability, or other general recruitment activities not directed at a particular individual, do not constitute an "offer to hire."

[Signature page follows]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

Alnylam Pharmaceuticals, Inc.

By: /s/ Barry Greene

Name: Barry Greene

Title: President and Chief Operating Officer

Date:

Tekmira Pharmaceuticals Corporation

By: /s/ Mark J. Murray

Name: Mark J. Murray

Title: President and Chief Executive Officer

Date: January 3, 2009

APPENDIX I – INITIAL SUPPLY SERVICES PLAN

[**]

***Confidential Treatment Requested.**

APPENDIX II

DESCRIPTION OF LICENSED INFORMATION TO BE DISCLOSED BY TEKMIRA

[**]

A total of two pages were omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

***Confidential Treatment Requested.**

Exhibit 4.9

EMPLOYMENT AGREEMENT

THIS AGREEMENT MADE THE 26 day of March, 2008
BETWEEN:

TEKMIRA PHARMACEUTICALS CORPORATION, a company incorporated under the laws of British Columbia ("the Company"), with offices at 200 - 8900 Glenlyon Parkway, Burnaby, British Columbia (fax: (604) 419-3201)

AND:

Ian Mortimer (the "Executive"), of
#8 – 1065 West 8th Avenue. Vancouver, BC V6H 1C3

WHEREAS:

A. The Company is in the business of acquiring, inventing, developing, discovering, adapting and commercializing inventions, methods, processes and products in the fields of chemistry, biochemistry, biotechnology and pharmaceuticals;

B. The Executive has the expertise, qualifications and required certifications to perform the services set out in the attached Appendix "A" (the "Services");

C. The Company proposes to enter into a transaction with Protiva Biotherapeutics Inc. whereby, as of the Effective Date, the Company will purchase all the outstanding shares of Protiva Biotherapeutics Inc. from its shareholders in exchange for shares and options in the Company (the "Protiva Transaction"); and,

D. Contingent upon the successful closing of the Protiva Transaction by June 30, 2008 (or such later date as the parties hereto may mutually agree in writing) and commencing on the Effective Date, the Company wishes to continue to employ the Executive to perform services, and the Executive agrees to continue to provide the services to the Company on the terms and conditions herein set forth and in consideration of the payment by the company of $10.00, the receipt and sufficiency of which is hereby acknowledged:

NOW THEREFORE THIS AGREEMENT WITNESSES that the parties hereto agree as follows:

1. DEFINITIONS

In this Agreement:

(a) **"Inventions"** means all patents, patent applications, ideas, discoveries, inventions, formulae, algorithms, techniques, processes, know-how, trade secrets, and other intellectual property, including all expressions of such intellectual property in tangible form;

(b) **“Confidential Information”** means information and materials that are confidential or proprietary, and includes without limitation, Inventions, research, laboratory notes, data, analysis, assays, designs, methods, flow charts, drawings, specifications, plans, prototypes, apparatus, devices, biological materials and their progeny and derivatives, reagents, specimens, manufacturing and production processes, patents portfolio, pre-clinical and clinical trials (abandoned or undertaken), regulatory filings and correspondences, software, financial statements and forecasts, customer and supplier lists, relationship with consultants, contracts, business plans and marketing strategies;

(d) “**Effective Date”** is the date on which the Protiva Transaction closes as defined in the agreement between the parties to the Protiva Transaction.

(e) **“For Cause”** has the meaning determined from time to time in employment law and includes

(i) the willful and continued failure by the Executive to perform his or her duties with the Company or to follow lawful direction from the Company’s Board of Directors or management, provided that if such failure is as a result of disability or occurs after the circumstances that would entitle the Executive to terminate for Good Reason (as defined in Appendix “D”), this will not constitute a “For Cause” basis; or

(ii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise;

and any such action by the Executive or any failure on the part of the Executive to act, will be deemed to be “willful” when done (or “omitted” to be done) and such action will be deemed to be in bad faith and contrary to the best interests of the Company.

(f) **“Protiva Transaction”** has the meaning ascribed to it in the Preamble above.

2. EMPLOYMENT

(a) The Company will employ the Executive in the position of Executive Vice President, Finance and Chief Financial Officer as of the Effective Date. The Executive will perform the Services set out in Appendix “A” and any other duties as determined by the Company from time to time and will comply with all lawful instructions as may be given by members of management of the Company.

(b) For statutory purposes, the Executive’s effective date of commencement with the Company is May 7, 1997.

(c) The Executive acknowledges and agrees that the employment relationship will be governed by the standards and terms established by the Company’s policies as they are established from time to time and agrees to comply with the terms of such policies so long as they are not inconsistent with any provisions of the Agreement. The Executive

will inform himself of the details of such policies and amendments thereto established from time to time.

(d) The Executive agrees that as a high technology professional, as defined in the Employment Standards Act of British Columbia Regulations, his or her hours of work will vary and may be irregular and will be those hours required to meet the objectives of his or her employment. The Executive agrees that the compensation described in paragraph 3 of this Agreement compensates him or her for all hours worked.

(e) The Executive will devote himself exclusively to the Company's business and will not be employed or engaged in any capacity in any other business without the prior permission of the Company, such permission not to be unreasonably withheld.

(f) The Executive will promptly disclose to the Company upon execution of this Agreement a list of all Inventions which are used in or relate to the business of the Company, its subsidiaries and/or affiliates and which the Executive has conceived of prior to the execution of this Agreement (together, "Prior Inventions"), unless the Executive is under an obligation to someone else not to disclose an Invention. The list of Prior Inventions will be attached as Appendix "B" to this Agreement.

3. REMUNERATION AND BENEFITS

The Company:

(a) will pay the Executive an annual salary as set out in Appendix "C" to this Agreement, such salary to be paid in twice monthly installments, in arrears, subject to the normal statutory deductions (the "Base Wage");

(b) will allow the Executive to enroll in the Company's insurance benefits package, as amended from time to time. The benefits will be provided in accordance with the formal plan documents or policies and any issues with respect to entitlement or payment of benefits under the insurance benefits package will be governed by the terms of such documents or policies. The Company and the Executive will discuss the opportunity for life insurance consistent with other executives at the Company. The Company reserves the right to unilaterally revise the terms of the insurance benefits package;

(c) will reimburse the Executive for all reasonable expenses incurred by the Executive in connection with his or her performance of the Services. The Executive will provide the Company with receipts supporting his or her claim for reimbursement;

(d) will subject to the terms of the plans, allow the Executive to be eligible for participation in the Company's share incentive plans;

(e) will, subject to the terms of the plans, allow the Executive to be eligible for participation in the Company's bonus plans; and

(f) will provide the Executive with four weeks vacation each year, to be scheduled at a time that is mutually acceptable to the Executive and the Company.

(g) will, within 1 week after the first public announcement of the Protiva Transaction, provide the Executive an option grant under the Company's share incentive plan (the "Further Options") to purchase 350,000 common shares of the Company. These Further Options will be priced in accordance with the Company's Stock Option Plan and are subject to shareholder and regulatory approval. All 350,000 options will vest 1 year and 1 day after the Effective Date, provided only that the Executive is employed by the Company on that date.

(h) will, on the date that is 1 year and 1 day after the Effective date, pay to the Executive a retention bonus in the amount of $125,000, provided only that the Executive is employed by the Company on that date.

4. CONFIDENTIALITY

(a) **Confidential Information.** During the Executive's employment with the Company, the Executive may have had or will have access to information and materials that are confidential or proprietary to the Company, its subsidiaries or its affiliates (together, "Confidential Information"). Such Confidential Information includes, without limitation, Inventions, research, laboratory notes, data, analysis, assays, designs, methods, flow charts, drawings, specifications, plans, prototypes, apparatus, devices, biological materials and their progeny and derivatives, reagents, specimens, manufacturing and production processes, patents portfolio, pre-clinical and clinical trials (abandoned or undertaken), regulatory filings and correspondences, software, financial statements and forecasts, customer and supplier lists, relationship with consultants, contracts, business plans and marketing strategies. The Company's obligation to hold in confidence information belonging to third parties is also considered Confidential Information. However, Confidential Information excludes information and materials which the Executive can demonstrate by written record: (i) were known by the Executive before the Company's disclosure to the Executive; (ii) properly came into the Executive's possession from a third party who was not under any obligation to the Company to maintain the confidentiality; or (iii) had become generally available to the public through no fault of the Executive.

(b) **Maintaining Confidentiality.** The Executive will maintain the confidentiality of the Company's Confidential Information both during and after the Executive's employment with the Company. The Executive will not use, copy, disclose, publish, make available, distribute or otherwise exploit the Company's Confidential Information, directly or indirectly, without first obtaining the Company's written consent, except in furtherance of the Executive's employment with the Company, or except as required by applicable law provided that the Executive has first promptly notified the Company of such requirement prior to disclosure of the Company's Confidential Information.

(c) **Ownership of Confidential Information.** All rights, title and interest in and to the Company's Confidential Information, whether or not developed by the Executive, will be and remain the exclusive property of the Company, its subsidiaries, affiliates or the relevant third party as the case may be.

(d) **Return of Confidential Information.** Once the Executive has ceased to be an Executive with the Company, the Executive will return to the Company promptly all the Company's Confidential Information and all other information, documents and materials which are used in or relate to the Company's business, whether or not they are confidential.

5. INVENTION ASSIGNMENT

(a) The Executive agrees that the Company will have exclusive ownership in all Inventions which are used in or relate to the Company's business and which the Executive conceives of or makes for the Company or its subsidiaries or affiliates during the Executive's employment with the Company and that the Executive will promptly disclose the Inventions to the Company in writing. This will be the case, whether or not an Invention is: (i) capable of being protected by copyright, patent, industrial design, trade mark or other similar legal protection, (ii) conceived or made by the Executive during or outside his or her regular working hours, or (iii) conceived or made by the Executive alone or jointly with others. However, it is acknowledged and agreed that this paragraph will not apply to any Invention developed by the Executive outside his or her regular working hours if such Invention: (i) was not within the scope of the Executive's employment duties, (ii) was developed without the use of Confidential Information, and (iii) was developed without the use of any of the Company's corporate resources.

(b) The Executive hereby assigns and will assign to the Company all rights, title and interest may now or in the future have in and to the Inventions and waives his or her moral rights to any and all copyrights subsisting in the Inventions. If required by the Company, the Executive will sign any applications or other documents the Company may reasonably request: (i) to obtain or maintain patent, copyright, industrial design, trade mark or other similar protection for the Inventions, (ii) to transfer ownership of the Inventions to the Company, and (iii) to assist the Company in any proceeding necessary to protect and preserve the Inventions. The Company will pay for all expenses associated with preparing and filing such documents, and any expenses arising from actions taken to protect and preserve the Inventions.

6. NON-COMPETITION AND NON-SOLICITATION

(a) If you cease to be employed by the Company for any reason, you will not on your behalf or on behalf of any third party, for a period of one year following the termination of your employment, in any manner whatsoever, enter into, carry on, or be engaged in, connected with or interested in any commercial activity that is involved, anywhere in the world, in the use of lipid-based carrier systems to deliver oncology drugs or therapies.

(b) Upon the termination of the Executive's employment with the Company, for any reason whatsoever, the Executive will not, for a period of 12 months commencing on the date of termination of employment, directly or indirectly, as a shareholder, employer, Executive, partner, proprietor, director, officer, principal, agent, advisor or through the medium of any firm, corporation or other entity or in any other capacity whatsoever:

(i) solicit or attempt to solicit any Executive or any person or entity that is a customer or supplier of the Company; or

(ii) do any act the probable result of which would be detrimental to the Company or would cause the relations between the Company and its Executives, customers or suppliers to be impaired.

(c) Each of paragraphs (a) and (b) are separate covenants and are severable from the other.

7. INJUNCTIVE RELIEF

(a) The Executive understands and agrees that the Company has a material interest in preserving the relationships it has developed with its Executives, customers and suppliers against impairment by competitive activities of a former Executive. Accordingly, the Executive agrees that the restrictions and covenants contained in paragraphs 5 and 6 are reasonably required for the protection of the Company and its goodwill and that the Executive's agreement to those restrictions and covenants by the execution of this Agreement, are of the essence to this Agreement and constitute a material inducement to the Company to enter into this Agreement and to employ the Executive, and that the Company would not enter into this Agreement absent such an inducement.

(b) The Executive understands and acknowledges that if the Executive breaches paragraphs 5 or 6, that breach will give rise to irreparable injury to the Company for which damages are an inadequate remedy, and the Company may pursue injunctive relief for such breach in the Supreme Court of British Columbia.

8. TERMINATION

(a) The Executive may terminate his employment by giving at least three months advance notice in writing to the Company of the effective date of the resignation. The Company may waive such notice, in whole or in part and if it does so, the Executive's employment will cease on the date such notice of waiver is given to the Executive and the Company shall immediately pay to the Executive such salary and other remuneration that would have come due to the Executive through to the effective date of the resignation.

(b) The Company may terminate the Executive's employment

(i) without notice or payment in lieu thereof, For Cause, and such cause for termination will constitute a waiver of your right to any minimum notice as well as to any payment or benefits instead of notice, or

(ii) at the Company's sole discretion for any reason, without cause, upon providing the Executive with severance as described in Appendix "D".

(c) If the Executive's employment is terminated by the Company other than For Cause, or if the Executive's employment is terminated by the Executive for Good Reason, the Company will pay to the Executive those payments set out in Appendix "D".

(d) If the Executive's employment is terminated by the Executive for any reason other than Good Reason at any time on or after the date that is 3 months after the Effective Date and on or before the date that is 12 months after the Effective Date, then, notwithstanding anything to the contrary in this Agreement or the Appendices hereto, the Company will pay to the Executive those payments set out in Appendix "D", except:

(i) the Base Salary used to calculate the Executive's Annual Compensation will be $225,750; and,

(ii) the Target Bonus used to calculate the Executive's Annual Compensation will be $112,875; and,

(iii) the Executive will not be required to provide the Company with any notice of termination.

(e) The Executive's employment will terminate on the Executive's death, in which case the Executive's estate will be provided with any outstanding portion of the Executive's Base Wage, bonus and other entitlements owing up to the date of death. No other payments or compensation will be provided.

(f) In order to be entitled to receive the payments contemplated under Appendix "D" in excess of those required by applicable employment standards legislation, the Executive

(i) will deliver to the Company, in a form and manner acceptable to the Company, a release saving the Company and its affiliates, Executives, officers and directors harmless for all matters arising or resulting from employment by the Company and the termination of that employment, and

(ii) will abide by his or her contractual and common law obligations (including those set out in this Agreement) in respect of protection of intellectual property, confidentiality, non-competition and non-solicitation during their employment and following the termination of that employment and upon the Executive not having engaged in any conduct constituting just cause for dismissal during his or her employment.

9. RETURN OF MATERIALS UPON TERMINATION OF EMPLOYMENT

The Executive will return to the Company all Company documents, files, manuals, books, software, equipment, keys, equipment, identification or credit cards, and all other property belonging to Company upon the termination of his or her employment with the Company for any reason.

10. GENERAL PROVISIONS

(a) **Non-Waiver.** Failure on the part of either party to complain of any act or failure to act of the other of them or to declare the other party in default of this Agreement, irrespective of how long such failure continues, will not constitute a waiver by such party of its rights hereunder or of the right to then or subsequently declare a default.

(b) **Severability.** In the event that any provision or part of this Agreement is determined to be void or unenforceable in whole or in part, the remaining provisions, or parts of it, will be and remain in full force and effect.

(c) **Entire Agreement.** This Agreement constitutes the entire agreement between the parties with respect to the employment of the Executive and supersedes any and all agreements, understandings, warranties or representations of any kind, written or oral, express or implied, including any relating to the nature of the position or its duration, and each of the parties releases and forever discharges the other of and from all manner of actions, causes of action, claim or demands whatsoever under or in respect of any agreement.

(d) **Survival.** The provisions of paragraphs 4 to 7, and paragraph 10(f), will survive the termination of this Agreement.

(e) **Modification of Agreement.** Any modification of this Agreement must be in writing and signed by both the Company and the Executive or it will have no effect and will be void.

(f) **Disputes.** Except for disputes arising in respect of paragraphs 4 to 7, all disputes arising out of or in connection with this Agreement and the employment relationship between the parties, are to be referred to and finally resolved by arbitration administered by the British Columbia International Commercial Arbitration Centre, pursuant to its Rules. The place of arbitration will be Vancouver, British Columbia.

(g) **Governing Law.** This Agreement will be governed by and construed according to the laws of the Province of British Columbia.

(h) **Reimbursement of Legal Fees.** The Company will reimburse the Executive for all reasonable and receipted legal fees incurred by the Executive in the negotiation, drafting, and completion of this Agreement and the Employment Agreement dated January 1, 2008.

(i) **Independent Legal Advice.** The Executive agrees that the contents, terms and effect of this Agreement have been explained to him or her by a lawyer and are fully understood. The Executive further agrees that the consideration described aforesaid is accepted voluntarily for the purpose of employment with the Company under the terms and conditions described above.

(j) **Applicability of Agreement.** For greater clarity, the Parties hereto agree that this Agreement is of no force or effect if the Protiva Transaction has not closed by June 30, 2008 (or such later date as the parties hereto may mutually agree in writing). In the event that the Protiva Transaction does not close by that date, the Executive's employment by the Company will be governed by the Employment Agreement between the parties dated January 1, 2008.

IN WITNESS WHEREOF this Agreement has been executed by the Parties hereto as of the date and year first above written.

SIGNED, SEALED AND DELIVERED)
by **Ian Mortimer** in the presence of:)

/s/ GREGG ASHBY)
Witness)
GREGG ASHBY)
Address)
2345 YORK AVENUE, VANCOUVER, BC)

ACCOUNTANT)
Occupation)

/s/ IAN MORTIMER
Ian Mortimer

TEKMIRA PHARMACEUTICALS CORPORATION

Per: /s/ DARRELL J. ELLIOTT
Darrell J. Elliott

APPENDIX "A"
Description of Services

Executive Vice President, Finance and Chief Financial Officer

The Executive Vice President, Finance and Chief Financial Officer is accountable to the Chief Executive Officer (CEO) for strategy and operational excellence related to the financial goals and facility needs of the organisation. Leads senior management team in the development and evaluation of strategies to ensure TEKMIRA's continued growth and business success. Leads, develops and mentors reporting staff and departments in Finance, Human Resources and Investor Relations, and Information Services. Has financial accountability for the Executive Unit as per the current corporate approvals matrix.

Specific Accountabilities:

1. Provides strategic direction, oversight and management to business areas of Finance, Human Resources, Investor Relations and Information Services aligning department and project objectives with overall corporate objectives.
2. Acts as a member of the Executive Team, participating in the preparation and on-going evaluation of the company's strategic and operational plan and opportunities and the development and approval of company philosophies, policies and procedures.
3. Assumes the lead role in directing financing activities, ensuring compliance with appropriate securities commissions ensuring internal and Board agreement on direction and activities. Directs, leverages and develops internal staff in a collaborative manner to achieve goals.
4. May participate as a member of joint steering committees as structured between TEKMIRA and potential partners and collaborators.
5. Collaborates, where necessary, with a variety of internal and external technical and medical experts to provide input into and support to TEKMIRA's drug research and development pipeline.
6. With a solid understanding of overall business processes and company strategic and operational plans, develops near and far term plans for the attraction and development of staff to meet business objectives.
7. Maintains up to date knowledge of company philosophies, plans and processes in: finance planning and reporting, human resources planning and leadership, and project planning, management and reporting.
    a. Establishes and submits for CEO's approval, the group's annual budgets encompassing financial and human resource planning. Acts as an authorizing signatory as per current Corporate Approvals Matrix.
    b. Assigns responsibility within reporting functions to ensure corporate, departmental and project goals are achieved in a timely manner in accordance with the Company's strategic plan and to attract and retain highly qualified personnel by providing a rewarding and stimulating professional environment.
    c. Performs ongoing assessment of development and training needs of reporting staff and provides training through mentoring, coaching and professional training courses to ensure continued development of personnel.
    d. Conducts and documents with direct reports, their quarterly objectives and annual

performance reviews to ensure performance and development standards are met.

e. Within overall human resource and compensation guidelines, makes recommendations for promotions, salary increases and bonus payments.

8. Ensures all activities are conducted in compliance with any pertinent regulatory, or statutory requirements, and in accordance with scientific standards, ethical and professional values, management philosophy, established priorities, policies and practices of the Company.

Other duties as assigned

APPENDIX "B"

List of Prior Inventions

Ian Mortimer

Date

APPENDIX "C"

A. Annual Compensation effective as at the Effective Date:

Base Wage: C$285,000 per annum

Bonus Target: C$285,000 × 50% = C$142,500

APPENDIX "D"
Terminations

1. DEFINITIONS

In this Appendix:

"Annual Compensation" means the sum of

(a) your Base Wage as at the end of the month immediately before the Date of Termination; and

(b) an amount equal to the full Bonus Target, that is 100% of Bonus Target.

"Board" means the board of directors of the Company;

"Change of Control" means the occurrence of any one of:

(a) the acquisition or continuing ownership by any person or persons acting jointly or in concert (as such phrase is defined in the *Securities Act* (British Columbia)), directly or indirectly, of Common Shares or of Convertible Securities, which, when added to all other securities of the Company at the time held by such person or persons, or persons associated or affiliated with such person or persons within the meaning of the Company Act (*British Columbia*) (collectively, the "Acquirors"), and assuming the conversion, exchange or exercise of Convertible Securities beneficially owned by the Acquirers, results in the Acquirers beneficially owning shares that would, notwithstanding any agreement to the contrary, entitle the holders thereof for the first time to cast more than 50% of the votes attaching to all shares in the capital of the Company that may be cast to elect directors;

(b) the sale, lease, exchange or other disposition of all or substantially all of the Company's assets;

(c) an amalgamation, merger, arrangement or other business combination (a "Business Combination") involving the Company that results in the security holders of the parties to the Business Combination other than the Company owning, directly or indirectly, shares of the continuing entity that entitle the holders thereof to cast more than 50% of the votes attaching to all shares in the capital of the continuing entity that may be cast to elect directors; or

(d) the Board, by resolution, determines that a Change of Control of the Company has occurred.

"Common Shares" means Common shares without par value in the capital of the Company;

"Convertible Securities" means securities convertible into, exchangeable for or representing the right to acquire Common Shares;

"Date of Termination" means the date of termination of your employment with the Company, whether by you or by the Company;

"Good Reason" includes, without limitation, the occurrence, without your written consent (except in connection with the termination of your employment For Cause or as otherwise limited below) of any one or more of:

(a) a material adverse change in your position, duties, responsibilities, title or office, which includes any removal of you from or any failure to re-elect or re-appoint you to any such positions or offices;

(b) a material adverse reduction by the Company of your salary, benefits or any other form of remuneration or any material adverse change in the basis on which your salary, benefits or any other form of remuneration payable by the Company is determined, unless such reduction or change is made to the compensation of substantially all Executives of the Company as part of a cost reduction initiative and the reduction or change does not result in the Executive suffering a greater than 10% reduction in their Annual Compensation;

(c) any failure by the Company to continue in effect any benefit, bonus, profit sharing, incentive, remuneration, compensation, stock ownership, pension or retirement plan in which you are participating or are entitled to participate immediately before the Change of Control, where such failure has the effect of constituting a material adverse change to your terms of employment, or the Company taking any action or failing to take any action that would adversely affect your participation in or reduce your rights or benefits under any such plan where such failure has the effect of constituting a material adverse change to your terms of employment;

(d) any failure by the Company to provide you with the number of paid vacation days per year to which you were entitled immediately before the Change of Control;

(e) the Company taking any action to deprive you of any material employment benefit not mentioned above and enjoyed by you immediately before the Change of Control where such action has the effect of constituting a material adverse change to your terms of employment, or the Company failing to increase or improve such material benefit on a basis consistent with practices in effect immediately before the Change of Control or with practices implemented after the Change of Control with respect to the executives of the Company, whichever is more favourable to you;

(f) any material breach by the Company of any provision of this Agreement where such breach has the effect of constituting a material adverse change to your terms of employment;

(g) the failure by the Company to obtain, in a form reasonably satisfactory to you, an effective assumption of its obligations under this Agreement by any successor to the Company, including a successor to a material portion of its business; and

(h) the Company requiring you to relocate at the time of a Change in Control of the Company, except for required travel on the Company's business substantially consistent with your present business travel obligations; and

2. ENTITLEMENT ON DISMISSAL

If, at any time the Executive's employment is terminated by the Company other than For Cause, is terminated by the Executive for Good Reason, or is terminated by the Executive pursuant to section 8(d) of this Agreement:

(a) the Company will provide the Executive with a payment equal to 24 months of the Executive's Annual Compensation;

(b) if the Executive holds any options, rights, warrants or other entitlements (collectively, the "Securities") issued by the Company or any affiliate thereof for the purchase or acquisition of shares in the capital of the Company or any affiliate thereof, regardless of whether the Securities may then be exercised, all such Securities will be deemed to be granted to the Executive, vested, and available for exercise immediately and continuing for a period that ends on the earlier of the original expiry date of the option and 24 months after the date on which the Executive's employment terminated, subject only to any required regulatory approval;

(c) the Company will not seek in any way to amend the terms of any loans from the Company to the Executive;

(d) The Company will pay to the Executive a prorated amount of their annual bonus, based on the following formula. The bonus will be based on an amount equal to, the average of the previous three (3) calendar years preceding the date of termination of employment, of the overall percent achievement of Bonus Target used to determine annual bonus payments. In all cases, the determination shall be calculated to the Executive's current Total Bonus Target as determined in the Executive's most recent Appendix "C". The amount will then be prorated based on the time from which their most recent bonus was paid to the date of termination of employment.

(e) the Company will maintain during the notice period all extended health and dental benefits (as permitted by the Company's insurer) that the Executive was eligible to receive immediately before the Date of Termination, and at the end of the notice period will pay a lump sum equal to the value, if any, in settlement of any remaining benefits value;

(e) the Company will pay to the Executive all outstanding and accrued regular and special vacation pay to the Date of Termination;

(f) the Company will during the notice period continue to make matching payments under and according to the terms of the Company's RRSP Matching Plan, provided that the maximum amount payable will be pro-rated for the period from the start of the calendar year to end of the notice period; and

(f) the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will the amount of any payment or benefit provided for in this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer or by retirement benefits after the Date of Termination, or otherwise

provided, however, that if the Executive terminates his employment for Good Reason, then the above provisions will only be applicable for 12 (twelve) months after the date of the event giving rise to the Good Reason.

Exhibit 4.10

EXECUTIVE EMPLOYMENT AGREEMENT

This Agreement dated May 30, 2008

BETWEEN:

IAN MacLACHLAN

("Executive")

AND:

TEKMIRA PHARMACEUTICALS CORPORATION, a corporation incorporated under the laws of British Columbia

("Tekmira")

BACKGROUND

A. The Executive has been employed since September 30, 2000 as the Chief Scientific Officer of Protiva Biotherapeutics Inc. ("Protiva").

B. On March 28, 2008, Tekmira, Protiva, and Protiva's shareholders, including the Executive, entered into a Share Purchase Agreement under which it was proposed that, subject to shareholder approval and satisfaction of certain other conditions, Tekmira would purchase all of Protiva's issued and outstanding shares from its shareholders in exchange for shares and options in Tekmira, and Protiva would become a wholly owned subsidiary of Tekmira (the "Protiva Transaction").

C. Effective on the closing of the Protiva Transaction on May 30, 2008, Tekmira wishes to continue to employ the Executive in the positions of Executive Vice President and Chief Scientific Officer, on and subject to the terms and conditions of this Agreement, and the Executive wishes to accept the offer of continuing employment.

AGREEMENTS

For good and valuable consideration, the receipt and sufficiency of which each party acknowledges, the parties agree as follows:

1. EMPLOYMENT

1.1 Tekmira will employ the Executive, and the Executive will serve Tekmira, subject to and in accordance with the terms of this Agreement.

1.2 The Executive:

(a) will be employed in the positions of Executive Vice President and Chief Scientific Officer of Tekmira and of all of its subsidiaries, including Protiva;

(b) will report directly to the CEO of Tekmira; and

(c) will perform those duties and responsibilities specified in Appendix A.

1.3 The Executive will comply with any written policies that Tekmira may, from time to time, establish or change concerning its business and the conduct of its employees, upon publication of those policies to the Executive, and providing that such policies are not inconsistent with any of the terms of this Agreement or any other agreement between the Executive and Tekmira. For greater certainty:

(a) if there is a conflict between the terms of such policies and the terms of this Agreement (or any other agreement between the Executive and Tekmira), the terms of this Agreement (or such other agreement, as the case may be) will prevail and govern; and

(b) no provision of any policy pertaining to the suspension or termination by Tekmira of the employment of its employees, or the taking of other disciplinary action by Tekmira against its employees, will apply to the Executive, and Tekmira will only be entitled to terminate the Executive's employment in accordance with Part 13 of this Agreement.

1.4 This Agreement is effective as of May 30, 2008, and will continue in effect until terminated by either party in accordance with its terms.

1.5 The Executive will be deemed to have been continuously employed, for all purposes under this Agreement and for statutory purposes, since the commencement of the Executive's employment with Protiva on September 30, 2000, which date will also continue to be the anniversary date of the Executive's employment for all purposes under this Agreement.

1.6 The Executive and Tekmira will act with the utmost good faith towards each other with respect to all rights and obligations they may have under this Agreement or otherwise directly or indirectly relating to the Executive's employment or relationship with Tekmira.

2. EXCLUSIVE SERVICE

2.1 During the Executive's employment with Tekmira, the Executive:

(a) will diligently and faithfully devote all of the Executive's business time, attention, energies, and abilities exclusively to the business of Tekmira and the performance of the Executive's duties and responsibilities under this Agreement; and

(b) subject to paragraph 2.2, will not be employed by or render services of a business, professional, or commercial nature, including services as an officer, director, employee, advisor, contractor, consultant, agent, or otherwise, to any other person, firm, entity, or business, whether for remuneration or otherwise, without

the prior written authorization of the Board, such authorization not to be unreasonably withheld.

2.2 Despite paragraph 2.1, during the Executive's employment with Tekmira, the Executive may continue to serve as a member of the Editorial Board of the Journals *Molecular Therapy* and *Oligonucleotides*, and the Editorial Boards of similar scientific or academic journals.

3. BASE SALARY

3.1 Tekmira will pay the Executive an annual base salary of $285,000 per year or such greater amount as the Board may determine from time to time in accordance with this Agreement ("Base Salary"), payable in semi-monthly instalments, on Tekmira's normal payroll schedule.

3.2 The Board will annually review the Base Salary and determine if any increase is appropriate, having regard to the Executive's performance and contributions and any other factor or factors the Board may consider appropriate.

4. BONUS PLAN

4.1 The Executive will be entitled to participate in Tekmira's bonus plan for executive employees ("Bonus Plan"), which currently provides for bonuses based on a target bonus opportunity of 50% of the Base Salary earned by the Executive during a fiscal year, provided that the Board may determine that the amount of the payment made to the Executive under the Bonus Plan in respect of a fiscal year may be greater or lesser than the target bonus opportunity, having regard to individual or company performance milestones established from time to time by Tekmira's Compensation Committee, and/or and any other factor or factors the Board may consider appropriate.

5. STATUTORY DEDUCTIONS

5.1 The Base Salary, any payments under the Bonus Plan or under Part 13, and any other payment, award, or benefit made or provided to the Executive under this Agreement or otherwise are subject to all required statutory deductions and withholdings, and any other amount required by law to be deducted or withheld from such payment.

6. INSURANCE AND OTHER BENEFITS

6.1 The Executive will be entitled to:

(a) coverage for the Executive, and for the Executive's spouse and children, under the BC Medical Services Plan;

(b) coverage for the Executive, and for the Executive's spouse and children, under Tekmira's group policy of insurance with Sun Life Financial (Policy no. 24155), providing coverage for extended health, dental, basic life, spousal life, dependent

life, accidental death and dismemberment, emergency travel medical and travel assistance, and long term disability insurance;

(c) coverage for the Executive under Tekmira's short term disability insurance plan;

(d) reimbursement by Tekmira of all medical and dental expenses which the Executive, and the Executive's spouse and children, may incur which are not covered or reimbursed by the insurance plans under this Part 6 (either in whole or in part);

(e) payment of all premiums required to maintain the insurance plans referenced in subparagraphs (a), (b), (c), and d while the Executive is employed by Tekmira, and during any additional period in respect of which that insurance coverage is maintained under paragraph 13.7(b)(i).

6.2 Tekmira will maintain at its expense a policy of directors' and officers' liability insurance for the Executive in the Executive's capacity as a director or officer of Tekmira or any of its affiliates or subsidiaries.

7. SHARE OPTIONS AND OTHER EQUITY-BASED COMPENSATION

7.1 The Executive:

(a) will, immediately upon execution of this Agreement, be entitled to receive a grant of options to purchase 150,000 (one hundred fifty thousand) common shares of Tekmira under Tekmira's Share Option Plan adopted on April 18, 2007, as amended ("Tekmira Share Option Plan");

(b) may, in 2009 and thereafter, be entitled to receive further annual grants of options under the Tekmira Share Option Plan, which grants will be:

(i) made on a prospective basis, without regard or consideration for any other shares or options which may then be held by the Executive, as issued to the Executive under the March 28, 2008 Share Purchase Agreement, or otherwise; and

(ii) subject to the terms of the Tekmira Share Option Plan, and any applicable laws or regulatory requirements; and

(c) may be entitled to receive additional share option grants, or grants or awards under other equity-based incentive plans or programs, if and to the extent awarded to the Executive under the terms of any other applicable share option agreement, plan, or program, or other equity-based incentive plan or program, which may, from time to time, be approved by the Board and the shareholders of Tekmira.

7.2 If there is a conflict between the terms of this Agreement and the terms of the Tekmira Share Option Plan or any other share option agreement, plan, or program, or other equity- based incentive plan or program referred to in paragraph 7.1, this Agreement will prevail

and govern, unless applicable laws or regulatory requirements do not permit this, in which case the terms of the Tekmira Share Option Plan or such other share option agreement, plan, or program, or other equity-based incentive plan or program, will prevail and govern to the extent required by such laws or regulatory requirements.

8. VACATION

8.1 The Executive will receive an annual vacation of not less than 20 working days for each fiscal year of employment under this Agreement, prorated for partial years of employment, in accordance with Tekmira's policies regarding vacations in effect from time to time.

8.2 The Executive may take a vacation or vacations at such times as are mutually convenient to the Executive and Tekmira, provided that if the Executive does not use all of the Executive's vacation entitlement in a given fiscal year, any unused vacation days will remain available to be used in a later year, up to the maximum number of days permitted to be carried over under Tekmira's policies regarding vacations in effect from time to time.

8.3 If the Executive's employment is terminated before the end of a given fiscal year, the Executive will be paid for:

(a) any unused vacation days for previous fiscal years that the Executive was entitled to carry over under paragraph 8.2; and

(b) any earned vacation days for the fiscal year in which the Executive's employment is terminated, which will be determined on a prorated basis depending on the portion of the fiscal year worked by the Executive.

9. REIMBURSEMENT OF EXPENSES

9.1 In accordance with Tekmira's policies in effect from time to time, the Executive will be reimbursed for all travel, entertainment, accommodation, communications, and other expenses which the Executive may incur which are reasonably necessary for the discharge of the Executive's duties and responsibilities, wherever the Executive is performing his duties and responsibilities.

10. CONFIDENTIALITY

10.1 In this Agreement:

"**Confidential Information**" means all confidential or proprietary information and materials of Tekmira that are not generally known by or available to the public, including, without limitation, Work Product, inventions, discoveries, concepts, ideas, plans, strategies, developments, technologies, computer programs, formulas, algorithms, compilations, data, devices, designs, prototypes, drawings, diagrams, schematics, practices, processes, methods, products, procedures, manuals, techniques, customer and supplier lists and data, price lists, policies, records, specifications, trade secrets, research,

laboratory notes, analysis, reports, studies, budgets, projections, bids, costs, financial reports and information, financing materials, training programs, sales and marketing programs, plans and strategies, regulatory filings, and correspondence, but excluding any information or materials that:

(a) were known by the Executive before Tekmira's disclosure of such information or materials to the Executive;

(b) came into the Executive's knowledge or possession from a third party who was not under any obligation to Tekmira to maintain the confidentiality of such information or materials; or

(c) are or have become generally known by or available to the public through no fault of the Executive.

10.2 The Executive will forever:

(a) keep private and maintain in strict confidence the Confidential Information; and

(b) not, directly or indirectly, use, disseminate, disclose, publish, duplicate, or summarize the Confidential Information, in whole or in part, except to the extent:

(i) required by law;

(ii) required to enable the Executive to discharge the Executive's duties and responsibilities under this Agreement; or

(iii) that Tekmira first consents in writing, and the Executive complies with all terms and conditions imposed by Tekmira in the consent.

11. WORK PRODUCT

11.1 In this Agreement:

(a) "**Business of Tekmira**" means the business of Tekmira through the Executive's Last Day of Employment, namely, commercial activity involving the development and/or use of lipid-based, nucleic acid delivery technologies, for therapeutic purposes;

(b) "**Intellectual Property**" means all proprietary rights and interests in, to, or associated with Work Product, including, without limitation, all registered and unregistered copyrights, patents, industrial designs, trade-marks, trade names, trade secrets, goodwill, all applications and all rights to file applications for all of the foregoing, and all rights of action for infringement, misappropriation, or other misuse, and any other rights in and to the Work Product;

(c) "**Prior Invention**" means any concept, method, process, technology, invention, development, or other work which is disclosed in Appendix B;

(d) "**Work Product**" means all work product of every kind, including, without limitation, all inventions, discoveries, concepts, ideas, plans, strategies, developments, technologies, computer programs, software source and object codes, writings, formulas, algorithms, compilations, information, data, devices, designs, prototypes, drawings, diagrams, schematics, practices, processes, methods, products, procedures, manuals, techniques, and other works of authorship, and all modifications and improvements to any of the foregoing, whether or not patented, registered, or otherwise protected, that is or are invented, made, created, authored, generated, compiled, conceived, developed, completed, reduced to practice, or worked on by the Executive:

(i) used in or relating to the Business of Tekmira; and

(ii) resulting from work performed by the Executive for Tekmira, or with the use of Tekmira's equipment, facilities, materials, property, or personnel;

but excluding any Prior Inventions.

11.2 Tekmira is and will be the sole owner of all Work Product and Intellectual Property.

11.3 For greater certainty:

(a) the Executive irrevocably assigns and transfers to Tekmira all rights, title, and interest in and to all Work Product and Intellectual Property, and all rights of action for infringement or other misuse, including all rights to file applications, and all pending applications, to patent, register, or record the Work Product and Intellectual Property;

(b) to the extent the Executive holds or acquires legal title to any Work Product or Intellectual Property, the Executive holds it as trustee and agent for Tekmira; and

(c) on request by Tekmira, the Executive will, during and after the Executive's employment with Tekmira, execute and deliver to Tekmira all instruments that Tekmira considers necessary to effect, perfect, register, or record its interest in Work Product and Intellectual Property, or to patent, register, or record Work Product and Intellectual Property in Tekmira's name, or to obtain, maintain, or enforce its rights and interest in Work Product and Intellectual Property in connection with any interference, litigation, opposition, or other proceeding to which Work Product or Intellectual Property is relevant, provided that Tekmira reimburses the Executive for all reasonable expenses incurred to fulfill these obligations.

11.4 The Executive irrevocably nominates, appoints, and constitutes Tekmira as the Executive's true and lawful attorney with power to do all things and execute all documents on the Executive's behalf as may be required to give effect to this Part 11, including, without limitation, the actions contemplated in paragraph 11.3. The attorney so appointed may exercise this power as the attorney deems appropriate to give effect to the intent of this Part 11.

11.5 The Executive will, during and after the Executive's employment with Tekmira, assist Tekmira as much as is reasonably necessary to establish, protect, and enforce Work Product and Intellectual Property, provided that Tekmira:

(a) reimburses the Executive for all reasonable expenses thereby incurred; and

(b) provides reasonable compensation to the Executive for efforts thereby expended after the end of the Executive's employment with Tekmira.

11.6 The Executive irrevocably waives in favour of Tekmira any and all moral rights that the Executive may have with respect to any Work Product, including, without limitation, the right to restrain or claim damages for any distortion, mutilation, modification, or enhancement of any Work Product, and the right to retain, use, or reproduce any Work Product in any context and in connection with any product, service, or business, and Tekmira may use or alter any Work Product as Tekmira sees fit.

11.7 At the end of the Executive's employment, the Executive will return to Tekmira all Work Product and all other property of Tekmira, including, without limitation, all computers, telephones, personal digital assistants, and other equipment, and all Confidential Information, proprietary or licensed computer programs, customer lists, customer data, books, records, forms, specifications, formulas, data, data processes, designs, papers, and writings relating to the Business of Tekmira, and any copies thereof, in the Executive's possession.

12. RESTRICTIONS ON SOLICITATION AND COMPETITION

12.1 In this Agreement:

(a) "**Business of Tekmira**" means the business of Tekmira through the Executive's Last Day of Employment, namely, commercial activity involving the development and/or use of lipid-based, nucleic acid delivery technologies, for therapeutic purposes;

(b) "**Competitor of Tekmira**" means any person, persons, entity, firm, association, corporation, or other business enterprise engaged in any commercial activity, anywhere in the world, that is or is being prepared to be in competition with the Business of Tekmira, including, without limitation, the development, manufacture, or sale of any product or service in competition with a product or service developed, in development, manufactured, or sold by Tekmira through the Executive's Last Day of Employment.

12.2 While the Executive is employed by Tekmira and for a period of 24 months after the Last Day of Employment, the Executive will not, whether as an officer, director, employee, advisor, contractor, consultant, agent, or otherwise, either on his own or in conjunction with any person, persons, entity, firm, association, corporation, or other business enterprise, or in any other manner whatsoever, directly or indirectly:

(a) solicit or attempt to solicit any employee, consultant, customer, or supplier of Tekmira in any manner that may reasonably be expected to interfere with, impair, or damage the business or commercial interests of Tekmira;

(b) wilfully interfere with, impair, or damage any relationship between Tekmira and any employee, consultant, customer, or supplier of Tekmira; or

(c) subject to paragraph 12.3, enter into, carry on, engage in, or be connected with or interested in any commercial activity anywhere in the world that is, will be, or is being prepared to be in direct competition with the Business of Tekmira, and that is substantially related to any business, activity, or services:

(i) that the Executive engaged in or performed for or on behalf of Tekmira through the Executive's Last Day of Employment; or

(ii) for which the Executive had responsibility with Tekmira through the Executive's Last Day of Employment.

12.3 For greater certainty, the Executive will not be in breach of paragraph 12.2(c) by virtue of the Executive:

(a) investing, owning shares, or holding any other interest in any corporation, business, firm, association, or other entity that is not a Competitor of Tekmira; or

(b) holding, for portfolio purposes and as a passive investor, no more than 5% of the issued and outstanding shares of (or of any other interest in) any Competitor of Tekmira.

13. TERMINATION

13.1 In this Agreement:

(a) "**Base Annual Compensation**" means the sum of:

(i) the Base Salary; and

(ii) the Bonus Target;

(b) "**Bonus Target**" means an amount equal to 50% of the Base Salary;

(c) "**Cause**" means any serious misconduct by the Executive that would constitute just cause for the termination of the Executive's employment by Tekmira under the common law, and, for greater certainty, does not include an act or omission by the Executive that is contrary to a policy of Tekmira if such act or omission would not otherwise constitute just cause for the termination of the Executive's employment by Tekmira under the common law;

(d) "**Change of Control**" means the occurrence of any one or more of the following events:

(i) the acquisition, aggregation, or continuing ownership by any person, entity, or group of persons or entities acting jointly or in concert ("Acquirors"), directly or indirectly, of beneficial ownership or control of Voting Shares or Convertible Securities (including, without limitation, the power to vote or direct the voting thereof), as a result of which the Acquirors and/or associates and/or affiliates of the Acquirors become entitled for the first time (assuming the conversion, exchange or exercise of Convertible Securities beneficially owned or controlled by the Acquirors and associates and affiliates of the Acquirors) to cast or direct the casting of 50% or more of the votes attached to all shares in the capital of Tekmira that may be cast to elect directors (regardless of whether a meeting has been called to elect directors);

(ii) the sale, lease, exchange, or other disposition of all or substantially all of the assets or business of Tekmira;

(iii) a consolidation, merger, amalgamation, arrangement, reorganization, or other business combination involving Tekmira, as a result of which the holders of Voting Shares and Convertible Securities immediately before the completion of such transaction hold less than 50% of the outstanding common shares and other shares entitled to vote for the election of directors of the successor corporation or entity after completion of the transaction;

(iv) the replacement or removal from the Board, before May 30, 2010, of any of the directors who were nominated by Protiva on or before May 30, 2008, or their successors (collectively, the "Protiva Directors"), without the approval of a majority of the Protiva Directors then serving;

(v) the adoption of a resolution to wind up, dissolve, or liquidate Tekmira; or

(vi) the adoption of a resolution by the Board declaring that a Change of Control has occurred;

(e) "**Convertible Securities**" means securities convertible into, exchangeable for, or representing the right to acquire Voting Shares;

(f) "**Good Reason**" means the occurrence, without the Executive's written consent (except in connection with the termination of the Executive's employment for Cause) of any one or more of the following events:

(i) a reduction or adverse change in the Executive's title, position, office, duties or responsibilities of employment, or the Executive's reporting relationships, including any removal of the Executive from, or any failure to re-elect or re-appoint the Executive to any such position or office;

(ii) a reduction in the Executive's Base Salary or the Executive's target bonus opportunity under the Bonus Plan;

(iii) a reduction in the overall value of the Executive's benefits under Part 6, or the right of the Executive, or of the Executive's spouse and children, to reimbursement of medical and dental expenses under Part 6;

(iv) a reduction in the extent to which the Executive is entitled to be reimbursed for expenses under Part 9;

(v) any act or omission by Tekmira at the time of, or within 24 months after, a Change of Control that deprives the Executive of any benefit of employment which the Executive was entitled to immediately before the Change of Control, including any failure by Tekmira to increase or improve any such benefit on a basis consistent with practices in effect immediately before the Change of Control, or, if more favourable to the Executive, on a basis consistent with practices implemented after the Change of Control with respect to other executive employees of Tekmira;

(vi) any failure by Tekmira, at the time of, or within 24 months after, a Change of Control, to continue in effect any employee benefit plan or program, including any health, dental, or disability plan or program, any insurance policy, any retirement plan or program, or any share option or other equity-based incentive plan or program, in which the Executive participated or was entitled to participate immediately before the Change of Control, where such failure constitutes an adverse change to the Executive's terms of employment, including any act or omission by Tekmira that has an adverse effect on the Executive's participation or entitlement to participate in such plan or program, or that reduces or impairs the Executive's rights or benefits under such plan or program;

(vii) any reduction in the Executive's annual vacation entitlement;

(viii) a relocation of Tekmira's head office in Burnaby, British Columbia by a distance of 100 kilometers or more;

(ix) a failure by Tekmira to obtain, in a form satisfactory to the Executive, an effective assumption of its obligations under this Agreement (or any other agreement to which the Executive is or may become a party) by any successor to Tekmira, including a successor to a material portion of its business;

(x) a breach by Tekmira of any of its material obligations under this Agreement; or

(xi) any other act or omission by Tekmira that would constitute a constructive dismissal under the common law;

(g) "**Last Day of Employment**" means:

(i) immediately on receipt of the Notice of Termination if the Executive's employment is terminated by Tekmira for Cause;

(ii) the effective date of the Notice of Termination if the Executive's employment is terminated by the Executive without Good Reason; or

(iii) immediately on receipt of the Notice of Termination if the Executive's employment is terminated by Tekmira for any reason other than for Cause, or is terminated by the Executive for Good Reason;

or such later date as may otherwise be agreed between Tekmira and the Executive;

(h) "**Notice of Termination**" means a written notice of termination of the Executive's employment with Tekmira;

(i) "**Voting Shares**" means common shares of Tekmira, and any other shares entitled to vote for the election of directors of Tekmira.

13.2 Tekmira may terminate the Executive's employment at any time by giving a Notice of Termination to the Executive.

13.3 The Executive may terminate the Executive's employment for Good Reason by giving a Notice of Termination to Tekmira within 12 months of the occurrence of any event constituting Good Reason, although the Executive will not be required to give a Notice of Termination to Tekmira if he dies within 12 months of the occurrence of any event constituting Good Reason without having previously given a Notice of Termination.

13.4 The Executive may terminate the Executive's employment at any time without Good Reason by giving a Notice of Termination to Tekmira, providing Tekmira with 90 days' notice of the termination of the Executive's employment, which Tekmira may waive in whole or in part.

13.5 If the Executive's employment is terminated by the Executive without Good Reason, Tekmira will:

(a) pay any unpaid Base Salary earned by the Executive up to the Last Day of Employment, and, if Tekmira has waived the notice period or any part of it under paragraph 13.4, the equivalent Base Salary the Executive would otherwise have earned during the notice period;

(b) pay the balance of any outstanding payments due to the Executive under the Bonus Plan in respect of the current fiscal year up to and including the last day of the notice period, and in respect of any previous fiscal years; and

(c) make any payments due under paragraph 8.3 or Part 9.

13.6 If the Executive's employment is terminated by Tekmira for Cause, Tekmira will:

(a) pay any unpaid Base Salary earned by the Executive up to the Last Day of Employment;

(b) pay the balance of any outstanding payments due to the Executive under the Bonus Plan in respect of the current fiscal year up to and including the Last Day of Employment, and in respect of any previous fiscal years; and

(c) make any payments due under paragraph 8.3 or Part 9.

13.7 If the Executive's employment is terminated by Tekmira for any reason other than for Cause or is terminated by the Executive for Good Reason, Tekmira will make the payments referred to in paragraph 13.6(a), (b) and (c), and, in addition:

(a) Tekmira will pay the Executive a lump sum amount as severance compensation, equal to 24 months of Base Annual Compensation;

(b) Tekmira will do one of the following, at its option:

(i) maintain all insurance coverage and other rights of the Executive under paragraph 6.1 for a period of 24 months after the Last Day of Employment, or

(ii) pay the Executive a further lump sum amount of 15% of the amount in paragraph 13.7(a), as compensation for loss of such insurance coverage and other rights;

(c) if the Executive holds any options, grants, rights, warrants, or other entitlements (collectively, "Securities") issued by Tekmira or any subsidiary or affiliate thereof for the purchase or acquisition of shares in the capital of Tekmira or any subsidiary or affiliate thereof, regardless of whether the Securities may then be exercised:

(i) all such Securities will be deemed to be granted to the Executive, vested, and available for exercise immediately and continuing for a period that ends on the earlier of the original expiry date of the Securities and 24 months after the Last Day of Employment, subject to the terms of the Tekmira Share Option Plan or any other applicable share option agreement, plan, or program, or other applicable equity-based incentive plan, or program, and any required regulatory approval (provided that Tekmira will use its best efforts to obtain such regulatory approval); and

(ii) if it is not possible for the Securities (or any portion thereof) to be exercised by the Executive during any portion of the period of time when clause (i) specifies that the Securities will be exercisable, the Board will further extend the period of time during which the Securities (or any portion thereof) may be exercised by the Executive, to ensure that the total

period of time during which the Securities (or portion thereof) are exercisable by the Executive after the Last Day of Employment is the same as what is specified under clause (i), subject to the terms of the Tekmira Share Option Plan or any other applicable share option agreement, plan, or program, or other applicable equity-based incentive plan, or program, and any required regulatory approval (provided that Tekmira will use its best efforts to obtain such regulatory approval); and

(d) Tekmira will make a prorated payment under the Bonus Plan in respect of the fiscal year in which the Executive's employment is terminated, which will be determined based on the average of the actual percentage achievement of the Executive's target bonus opportunity for the previous three fiscal years, multiplied by the Bonus Target as of the end of the month immediately before the Last Day of Employment, and prorated for the portion of the year ending on the Last Day of Employment.

13.8 For any period before May 30, 2008, the reference in paragraph 13.7(d) to the actual percentage achievement of the Executive's target bonus opportunity:

(a) is deemed to refer to the actual percentage achievement of the Executive's Performance Bonus under Section 5 of the August 31, 2001 Executive Employment Agreement between the Executive and Protiva; and

(b) excludes any Participation Bonus under Section 2.1 of the May 1, 2007 Amending Agreement to Employment Agreement between the Executive and Protiva.

13.9 If the Executive is unable to substantially perform his duties and responsibilities under this Agreement by reason of illness or disability for a period of 90 consecutive days or more, Tekmira may terminate the Executive's employment, and paragraph 13.7 will apply.

13.10 If the Executive dies, the Executive's estate will be entitled to receive:

(a) any unpaid Base Salary earned up to the date of the Executive's death;

(b) the balance of any payments which may be due to the Executive under the Bonus Plan as of the date of the Executive's death; and

(c) any amounts due to the Executive under paragraph 8.3 or Part 9, or otherwise under this Part 13 (to the extent such amounts are not otherwise payable under this paragraph 13.10), as of the date of the Executive's death; and

(d) any outstanding share options or other grants or awards held by the Executive, as of the date of the Executive's death, under the Tekmira Share Option Plan or any other share option agreement, plan, or program, or other equity-based incentive plan or program, which will continue to be governed by the provisions of the applicable agreement, plan, or program.

13.11 The Executive will not be required to seek other employment, or to otherwise mitigate any loss or damage, for the Executive or his estate to be entitled to receive any payments payable under this Agreement after termination of the Executive's employment or as a result of the Executive's disability or death, and no amount will be set off against any such payments on account of any remuneration or benefit that the Executive may receive as a result of any other employment the Executive may obtain, or for any other reason.

13.12 Before any payments are made to the Executive or his estate under paragraph 13.7, 13.9, or 13.10 that are in excess of any payments required under the *Employment Standards Act* (British Columbia), the Executive or his estate, as applicable, will execute and deliver to Tekmira a release substantially in the form attached as Appendix C.

13.13 Regardless of the reason for the termination of the Executive's employment hereunder, the Executive may continue at his own expense after any such termination, coverage under any insurance plans under Part 6, providing the applicable insurer or insurers so permit.

14. ENFORCEMENT

14.1 The Executive agrees that the restrictions in Parts 11 and 12 are necessary for the protection of Tekmira's interests.

14.2 Tekmira would suffer irreparable harm as a result of any breach of the Executive's obligations under Part 11 or 12, for which damages would not be an adequate remedy, and Tekmira may apply to the Supreme Court of British Columbia for injunctive relief for such a breach.

15. MEDIATION OF DISPUTES

15.1 Before initiating any legal proceedings, the parties will attempt to resolve all disputes concerning the interpretation, application, or enforcement of any term of this Agreement, any alleged breach of or non-compliance with this Agreement, or otherwise arising out of or in connection with this Agreement or any aspect of the Executive's employment or relationship with Tekmira or the termination of that employment or relationship, by mediated negotiation, and will use their best efforts to agree on a mediator and to resolve any disputes by mediation.

16. GOVERNING LAW AND FORUM

16.1 This Agreement is deemed to be made in British Columbia, and will be governed by and construed and interpreted in accordance with the laws of British Columbia and laws of Canada applicable therein.

16.2 The Courts of British Columbia will have exclusive jurisdiction to resolve all disputes concerning the interpretation, application, or enforcement of any term of this Agreement, any alleged breach of or non-compliance with this Agreement, or otherwise arising out of or in connection with this Agreement or any aspect of the Executive's employment or relationship with Tekmira or the termination of that employment or relationship.

17. NOTICES

17.1 All notices and other communications required or permitted to be given under this Agreement will be in writing and delivered to the party entitled to receive them, as follows:

(a) DR. IAN MacLACHLAN
8040 Aves Terrace,
Mission BC V4S 1E5

(b) TEKMIRA PHARMACEUTICALS CORPORATION
200 - 8900 Glenlyon Parkway,
Burnaby, BC V5J 5J8
Fax no. 604.419.3201
Attention: ¿

17.2 Either party may notify the other in writing of a change of address to which notices will thereafter be given.

18. SEVERABILITY AND WAIVER

18.1 Each provision of this Agreement is a separate obligation and is severable from all other such obligations, and if any of them is held by a Court to be invalid or unenforceable, this Agreement will be construed by limiting, restricting, or reducing the application or scope of the applicable provision or provisions, to the extent necessary to comply with applicable law then in effect.

18.2 In this Agreement:

(a) a waiver of any provision of this Agreement will not be binding unless in writing and signed by both parties;

(b) a failure to exercise or a delay in exercising any right or remedy under this Agreement will not be deemed to be a waiver of that right or remedy; and

(c) a waiver or excuse by either party of any default or breach by the other party of any provision of this Agreement will not waive that party's rights in respect of any continuing or subsequent default or breach, or affect the rights of that party in respect of any such continuing or subsequent default or breach.

19. ENUREMENT

19.1 This Agreement will enure to the benefit of and be binding on the parties and their respective heirs, executors, administrators, successors, and permitted assigns.

20. INTERPRETATION

20.1 In this Agreement:

(a) "**Board**" means the Board of Directors of Tekmira;

(b) "**day**" means calendar day, unless otherwise specified;

(c) "**Protiva**" includes, as the context may require, its affiliates, subsidiaries, associated companies, successors, and assigns; and

(d) "**Tekmira**" includes, as the context may require, its affiliates, subsidiaries, associated companies, successors, and assigns.

20.2 All monetary amounts referenced in this Agreement are in Canadian currency.

20.3 Any reference in this Agreement to an enactment will be deemed to be a reference to such enactment as it may be amended or replaced from time to time, and any reference to a particular provision of an enactment will include a reference to an equivalent provision, if the enactment is amended or replaced.

20.4 Any rule of interpretation that any ambiguity is to be resolved against the drafting party is not applicable to this Agreement.

21. OTHER RIGHTS OF THE EXECUTIVE

21.1 Nothing in this Agreement will affect or diminish any rights of the Executive under the March 28, 2008 Share Purchase Agreement or the May 23, 2008 Secured Promissory Note issued to the Executive by Protiva.

21.2 Subject to paragraph 21.1, if, as, and when the Executive is paid the amount declared to be payable to him under item no. 35 of Part I of Appendix A to the March 28, 2008 Share Purchase Agreement, the Executive will then have been paid all compensation due or owing to him by Protiva.

22. ENTIRE AGREEMENT

22.1 Subject to Part 21, this document contains the entire agreement between the parties with respect to the Executive's employment by Tekmira, and cancels and supersedes all prior agreements and discussions between them relating to the Executive's employment.

22.2 Except as provided in this Agreement, no amendment or variation of the terms of this Agreement will be effective or binding unless in writing and signed by both parties.

TO EVIDENCE THEIR AGREEMENT the parties have executed this Agreement on the dates appearing below.

SIGNED, SEALED AND DELIVERED by IAN MacLACHLAN in the presence of:	)	
/s/ MARK J. MURRAY (Signature of Witness)	)	**/s/ IAN MacLACHLAN** **IAN MacLACHLAN**
MARK J. MURRAY (Print Name of Witness)	)	
1127 41st Ave E., Seattle, WA 98112 (Address of Witness)	)	
CEO (Occupation of Witness)	)	
12 August 2008 (Date)	)	

TEKMIRA PHARMACEUTICALS CORPORATION

By:

[Unreadable]
Authorized Signatory

Date: August 31, 2008

APPENDIX A

Duties and Responsibilities of Dr. Ian MacLachlan

Overall responsibility for and leadership of:

- Strategic and operational direction and management of the research and development function (“R&D”)
- R&D planning, program development, and budgeting
- Evaluation of results in R&D groups
- Scientific support for Acquisition/Merger, corporate, and business development strategies
- Scientific content and support for financing, public relations, and investor relations strategies and activities
- Interface with relevant regulatory agencies and academia
- Relationship management with industry partners
- Cultivation of intellectual property estate
- Publications strategy supporting corporate objectives and strategies

APPENDIX B

Prior Inventions

The following are Prior Inventions for the purpose of Part 11 of this Agreement:

TTC Ref Country	Title	Inventor	Application No. Filing Date	Patent No. Issue Date	Status Remarks
020801-000920AU	Systemic Delivery of Serum Stable Plasmid Lipid Particles for Cancer Therapy	MacLachlan, Ian Graham, Roger W.	24057/99 02/03/1999	749881 10/24/2002	Granted
020801-000920CA	Systemic Delivery of Serum Stable Plasmid Lipid Particles for Cancer Therapy	MacLachlan, Ian Graham, Roger W.	2321837 02/03/1999		Pending
020801-000920CH	Systemic Delivery of Serum Stable Plasmid Lipid Particles for Cancer Therapy	MacLachlan, Ian Graham, Roger W.	99903557.9 02/03/1999		Granted
020801-000920DE	Systemic Delivery of Serum Stable Plasmid Lipid Particles for Cancer Therapy	MacLachlan, Ian Graham, Roger W.	99903557.9 02/03/1999	69936444.2 07/04/2007	Granted
020801-000920EP	Systemic Delivery of Serum Stable Plasmid Lipid Particles for Cancer Therapy	MacLachlan, Ian Graham, Roger W.	99903557.9 02/03/1999	1053023 07/04/2007	Granted
020801-000920FR	Systemic Delivery of Serum Stable Plasmid Lipid Particles for Cancer Therapy	MacLachlan, Ian Graham, Roger W.	99903557.9 02/03/1999		Granted
020801-000920GB	Systemic Delivery of Serum Stable Plasmid Lipid Particles for Cancer Therapy	MacLachlan, Ian Graham, Roger W.	99903557.9 02/03/1999		Granted
020801-000920IE	Systemic Delivery of Serum Stable Plasmid Lipid Particles for Cancer Therapy	MacLachlan, Ian Graham, Roger W.	99903557.9 02/03/1999	99903557.9 07/04/2007	Granted
020801-000920IT	Systemic Delivery of Serum Stable Plasmid Lipid Particles for Cancer Therapy	MacLachlan, Ian Graham, Roger W.	99903557.9 02/03/1999		Granted
020801-000920JP	Systemic Delivery of Serum Stable Plasmid Lipid Particles for Cancer Therapy	MacLachlan, Ian Graham, Roger W.	2000-530238 02/03/1999		Pending Published

TTC Ref Country	Title	Inventor	Application No. Filing Date	Patent No. Issue Date	Status Remarks
020801-000920NL	Systemic Delivery of Serum Stable Plasmid Lipid Particles for Cancer Therapy	MacLachlan, Ian Graham, Roger W.	99903557.9 02/03/1999		Granted
020801-000940US	Systemic Delivery of Serum Stable Plasmid Lipid Particles for Cancer Therapy	MacLachlan, Ian Graham, Roger W.	10/954858 09/29/2004		Pending Published
020801-001940AU	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Ambegia, Ellen Grace Heyes, James	2004257373 07/16/2004		Pending
020801-001940CA	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Ambegia, Ellen Grace Heyes, James	2532228 07/16/2004		Pending
020801-001940CN	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Ambegia, Ellen Grace Heyes, James	200480025168.2 07/16/2004		Pending
020801-001940EP	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Ambegia, Ellen Grace Heyes, James	04761574.5 07/16/2004		Pending Published
020801-001940IL	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Ambegia, Ellen Grace Heyes, James	173052 07/16/2004		Pending
020801-001940IN	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Ambegia, Ellen Grace Heyes, James	2581/KOLNP/2006 07/16/2004		Pending
020801-001940JP	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Ambegia, Ellen Grace Heyes, James	2006-519738 07/16/2004		Pending Published
020801-001940KR	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Ambegia, Ellen Grace Heyes, James	2006-7000992 07/16/2004		Pending Published
020801-001940NZ	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Ambegia, Ellen Grace Heyes, James	544637 07/16/2004		Pending
020801-001940SG	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Ambegia, Ellen Grace Heyes, James	200600115-0 07/16/2004		Pending

TTC Ref Country	Title	Inventor	Application No. Filing Date	Patent No. Issue Date	Status Remarks
020801-001960AU	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Palmer, Lorne R. Heyes, James	2005252273 06/07/2005		Pending
020801-001960CA	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Palmer, Lorne R. Heyes, James	2569664 06/07/2005		Pending
020801-001960CN	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Palmer, Lorne R. Heyes, James	200580022582.2 06/07/2005		Pending Published
020801-001960EP	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Palmer, Lorne R. Heyes, James	05757651.4 06/07/2005		Pending Published
020801-001960HK	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Palmer, Lorne R. Heyes, James	07110513.0 09/27/2007		Pending Published
020801-001960JP	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Palmer, Lorne R. Heyes, James	2007-526139 06/07/2005		Pending Published
020801-001960US	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Palmer, Lorne R. Heyes, James	11/148152 06/07/2005		Pending Published
020801-001970US	Lipid Encapsulated Interfering RNA	MacLachlan, Ian Ambegia, Ellen Grace Heyes, James	11/426907 06/27/2006		Pending Published
020801-002540AU	Immunostimulatory siRNA Molecules and Uses Therefor	MacLachlan, Ian Judge, Adam	2005259799 06/30/2005		Pending
020801-002540CA	Immunostimulatory siRNA Molecules and Uses Therefor	MacLachlan, Ian Judge, Adam	2572439 06/30/2005		Pending
020801-002540EP	Immunostimulatory siRNA Molecules and Uses Therefor	MacLachlan, Ian Judge, Adam	05761778.9 06/30/2005		Pending Published
020801-002540JP	Immunostimulatory siRNA Molecules and Uses Therefor	MacLachlan, Ian Judge, Adam	2007-519578 06/30/2005		Pending
020801-002540US	Immunostimulatory siRNA Molecules and Uses Therefor	MacLachlan, Ian Judge, Adam	11/174453 06/30/2005		Pending Published
020801-004710US	Compositions for the Delivery of Therapeutic Agents and Uses Thereof	MacLachlan, Ian Jeffs, Lloyd B.	11/185447 07/19/2005		Pending Published

TTC Ref Country	Title	Inventor	Application No. Filing Date	Patent No. Issue Date	Status Remarks
020801-005510US	Glucocorticoid Modulation of Nucleic Acid-Mediated Immune Stimulation	MacLachlan, Ian Judge, Adam	11/511855 08/28/2006		Pending Published
020801-001110US	Lipid-Based Formulations	MacLachlan, Ian	10/136707 04/30/2002		Pending Allowed
020801-001210AU	Method and Apparatus for Producing Liposomes	MacLachlan, Ian Jeffs, Lloyd B. Palmer, Lorne R. Giesbrecht, Cory	2003245160 06/30/2003		Pending
020801-001210CA	Method and Apparatus for Producing Liposomes	MacLachlan, Ian Jeffs, Lloyd B. Palmer, Lorne R. Giesbrecht, Cory	2491164 06/30/2003		Pending
020801-001210EP	Method and Apparatus for Producing Liposomes	MacLachlan, Ian Jeffs, Lloyd B. Palmer, Lorne R. Giesbrecht, Cory	03737789.2 06/30/2003		Pending Published
020801-001210JP	Method and Apparatus for Producing Liposomes	MacLachlan, Ian Jeffs, Lloyd B. Palmer, Lorne R. Giesbrecht, Cory	2004-516377 06/30/2003		Pending Published
020801-001210US	Liposomal Apparatus and Manufacturing Methods	MacLachlan, Ian Jeffs, Lloyd B. Palmer, Lorne R. Giesbrecht, Cory Giesbrecht, Noelle	10/611274 06/30/2003		Pending Published
020801-002010AU	Polyethyleneglycol-Modified Lipid Compounds and Uses Thereof	Heyes, James MacLachlan, Ian Ambegia, Ellen Grace	2004272646 09/15/2004		Pending
020801-002010CA	Polyethyleneglycol-Modified Lipid Compounds and Uses Thereof	Heyes, James MacLachlan, Ian Ambegia, Ellen Grace	2551022 09/15/2004		Pending
020801-002010CN	Polyethyleneglycol-Modified Lipid Compounds and Uses Thereof	Heyes, James MacLachlan, Ian Ambegia, Ellen Grace	200480033616.3 09/15/2004		Pending Published

TTC Ref Country	Title	Inventor	Application No. Filing Date	Patent No. Issue Date	Status Remarks
020801-002010EP	Polyethyleneglycol-Modified Lipid Compounds and Uses Thereof	Heyes, James MacLachlan, Ian Ambegia, Ellen Grace	04761838.4 09/15/2004		Pending Published
020801-002010IL	Polyethyleneglycol-Modified Lipid Compounds and Uses Thereof	Heyes, James MacLachlan, Ian Ambegia, Ellen Grace	174315 09/15/2004		Pending
020801-002010IN	Polyethyleneglycol-Modified Lipid Compounds and Uses Thereof	Heyes, James MacLachlan, Ian Ambegia, Ellen Grace	803/KOLNP/ 2006 09/15/2004		Pending
020801-002010JP	Polyethyleneglycol-Modified Lipid Compounds and Uses Thereof	Heyes, James MacLachlan, Ian Ambegia, Ellen Grace	2006-526496 09/15/2004		Pending Published
020801-002010KR	Polyethyleneglycol-Modified Lipid Compounds and Uses Thereof	Heyes, James MacLachlan, Ian Ambegia, Ellen Grace	2006-7006599 09/15/2004		Pending Published
020801-002010NZ	Polyethyleneglycol-Modified Lipid Compounds and Uses Thereof	Heyes, James MacLachlan, Ian Ambegia, Ellen Grace	545885 09/15/2004		Pending
020801-002010SG	Polyethyleneglycol-Modified Lipid Compounds and Uses Thereof	Heyes, James MacLachlan, Ian Ambegia, Ellen Grace	200601504-4 09/15/2004		Pending
020801-002010US	Polyethyleneglycol-Modified Lipid Compounds and Uses Thereof	Heyes, James MacLachlan, Ian Ambegia, Ellen Grace	10/942379 09/15/2004		Pending Published
020801-002430AU	Cationic Lipids and Methods of Use	MacLachlan, Ian Heyes, James Palmer, Lorne R.	2005251403 06/07/2005		Pending
020801-002430CA	Cationic Lipids and Methods of Use	MacLachlan, Ian Heyes, James Palmer, Lorne R.	2569645 06/07/2005		Pending
020801-002430CN	Cationic Lipids and Methods of Use	MacLachlan, Ian Heyes, James Palmer, Lorne R.	200580022380.8 06/07/2005		Pending
020801-002430EP	Cationic Lipids and Methods of Use	MacLachlan, Ian Heyes, James Palmer, Lorne R.	05754849.7 06/07/2005		Pending Published

TTC Ref Country	Title	Inventor	Application No. Filing Date	Patent No. Issue Date	Status Remarks
020801-002430HK	Cationic Lipids and Methods of Use	Heyes, James MacLachlan, Ian Palmer, Lorne R.	07111684.1 06/07/2005		Pending
020801-002430JP	Cationic Lipids and Methods of Use	MacLachlan, Ian Heyes, James Palmer, Lorne R.	2007-526138 06/07/2005		Pending Published
020801-002430US	Cationic Lipids and Methods of Use	Heyes, James MacLachlan, Ian Palmer, Lorne R.	11/148430 06/07/2005		Pending Published
020801-005020AU	Modified siRNA Molecules and Uses Thereof	MacLachlan, Ian Judge, Adam	2006308765 11/02/2006		Pending
020801-005020CA	Modified siRNA Molecules and Uses Thereof	MacLachlan, Ian Judge, Adam	11/02/2006		Pending
020801-005020CN	Modified siRNA Molecules and Uses Thereof	MacLachlan, Ian Judge, Adam	11/02/2006		Pending
020801-005020EP	Modified siRNA Molecules and Uses Thereof	MacLachlan, Ian Judge, Adam	11/02/2006		Pending
020801-005020IL	Modified siRNA Molecules and Uses Thereof	MacLachlan, Ian Judge, Adam	11/02/2006		Pending
020801-005020IN	Modified siRNA Molecules and Uses Thereof	MacLachlan, Ian Judge, Adam	11/02/2006		Pending
020801-005020JP	Modified siRNA Molecules and Uses Thereof	MacLachlan, Ian Judge, Adam	11/02/2006		Pending
020801-005020US	Modified siRNA Molecules and Uses Thereof	MacLachlan, Ian Judge, Adam	11/592756 11/02/2006		Pending Published
020801-005310AU	Systems and Methods for Manufacturing Liposomes	MacLachlan, Ian Jeffs, Lloyd B. Yaworski, Edward Lam, Kieu	2006274413 07/27/2006		Pending
020801-005310CA	Systems and Methods for Manufacturing Liposomes	MacLachlan, Ian Jeffs, Lloyd B. Yaworski, Edward Lam, Kieu	2616877 07/27/2006		Pending
020801-005310CN	Systems and Methods for Manufacturing Liposomes	MacLachlan, Ian Jeffs, Lloyd B. Yaworski, Edward Lam, Kieu	07/27/2006		Pending

TTC Ref Country	Title	Inventor	Application No. Filing Date	Patent No. Issue Date	Status Remarks
020801-005310EP	Systems and Methods for Manufacturing Liposomes	MacLachlan, Ian Jeffs, Lloyd B. Yaworski, Edward Lam, Kieu	06761194.7 07/27/2006		Pending
020801-005310JP	Systems and Methods for Manufacturing Liposomes	MacLachlan, Ian Jeffs, Lloyd B. Yaworski, Edward Lam, Kieu	07/27/2006		Pending
020801-005310US	Systems and Methods for Manufacturing Liposomes	MacLachlan, Ian Jeffs, Lloyd B. Yaworski, Edward Lam, Kieu	11/495150 07/27/2006		Pending Published
020801-007700US	Novel Lipid Formulations	MacLachlan, Ian *et al*.	61/045228 04/15/2008		Pending

APPENDIX C

Form of Release

I, **Ian MacLachlan**, in consideration of the gross sum of $☐ (less required statutory deductions and withholdings), agree:

1. To release and forever discharge Tekmira Pharmaeuticals Corporation ("Tekmira"), its affiliates and subsidiaries, its and their successors and assigns, and its and their officers, directors, employees, shareholders, agents, and otherwise, as the case may be (collectively, the "Releasees"), of and from all causes of action, suits, contracts, complaints, claims, damages, costs, and expenses which, as against the Releasees, and any of them, I have ever had or now have, arising up and including the date of execution of this document, concerning:

(a) my hiring or the termination of my employment with Tekmira, or in any other way relating directly or indirectly to my employment with Tekmira;

(b) the loss of medical insurance, life insurance, share options, bonuses, incentive compensation, equity-based incentives, and any other form of compensation, benefit, or perquisite of my employment with Tekmira;

(c) disability or sickness, or for insurance benefits relating thereto; and

(d) claims arising under any Federal or Provincial statute, including specifically claims under the [*names of applicable statutes to be inserted by Tekmira when the employment relationship is terminated*].

provided that nothing herein will affect or diminish

(e) any of my rights under the March 28, 2008 Share Purchase Agreement or the May 23, 2008 Secured Promissory Note referenced in paragraph 21.1 of my Employment Agreement with Tekmira dated May 30, 2008;

(f) any of my rights under any Indemnity Agreement between me and Tekmira or any of its affiliates or subsidiaries; or

(g) any other right to contribution or indemnity that I may otherwise have under law.

2. That I have read and understand this document, and either received legal advice about it before I signed it, or declined to obtain such advice.

3. That the foregoing consideration is accepted voluntarily, for the purpose of making a full and final settlement of all claims referenced above.

SIGNED, SEALED AND DELIVERED by **Ian MacLachlan** in the presence of:)

Signature)

Print Name)

Address)

Occupation)

Date)

IAN MacLACHLAN

BETWEEN:

IAN MacLACHLAN

AND:

TEKMIRA PHARMACEUTICALS CORPORATION

EXECUTIVE EMPLOYMENT AGREEMENT

Davis LLP
2800 Park Place
666 Burrard Street
Vancouver, BC V6C 2Z7

73363-00001 AAS/JKH/mef

Exhibit 4.11

EXECUTIVE EMPLOYMENT AGREEMENT

This Agreement dated May 30, 2008

BETWEEN:

MARK J. MURRAY

("Executive")

AND:

TEKMIRA PHARMACEUTICALS CORPORATION, a corporation incorporated under the laws of British Columbia

("Tekmira")

BACKGROUND

A. The Executive has been employed since September 30, 2000 as the President and Chief Executive Officer of Protiva Biotherapeutics Inc. ("Protiva").

B. On March 28, 2008, Tekmira, Protiva, and Protiva's shareholders, including the Executive, entered into a Share Purchase Agreement under which it was proposed that, subject to shareholder approval and satisfaction of certain other conditions, Tekmira would purchase all of Protiva's issued and outstanding shares from its shareholders in exchange for shares and options in Tekmira, and Protiva would become a wholly owned subsidiary of Tekmira (the "Protiva Transaction").

C. Effective on the closing of the Protiva Transaction on May 30, 2008, Tekmira wishes to continue to employ the Executive in the positions of President and Chief Executive Officer, on and subject to the terms and conditions of this Agreement, and the Executive wishes to accept the offer of continuing employment.

AGREEMENTS

For good and valuable consideration, the receipt and sufficiency of which each party acknowledges, the parties agree as follows:

1. EMPLOYMENT

1.1 Tekmira will employ the Executive, and the Executive will serve Tekmira, subject to and in accordance with the terms of this Agreement.

1.2 The Executive:

(a) will be employed in the positions of President and Chief Executive Officer of Tekmira and of all of its subsidiaries, including Protiva;

(b) will report directly to the Board; and

(c) will perform those duties and responsibilities specified in Appendix A.

1.3 The Executive will comply with any written policies that Tekmira may, from time to time, establish or change concerning its business and the conduct of its employees, upon publication of those policies to the Executive, and providing that such policies are not inconsistent with any of the terms of this Agreement or any other agreement between the Executive and Tekmira. For greater certainty:

(a) if there is a conflict between the terms of such policies and the terms of this Agreement (or any other agreement between the Executive and Tekmira), the terms of this Agreement (or such other agreement, as the case may be) will prevail and govern; and

(b) no provision of any policy pertaining to the suspension or termination by Tekmira of the employment of its employees, or the taking of other disciplinary action by Tekmira against its employees, will apply to the Executive, and Tekmira will only be entitled to terminate the Executive's employment in accordance with Part 13 of this Agreement.

1.4 This Agreement is effective as of May 30, 2008, and will continue in effect until terminated by either party in accordance with its terms.

1.5 The Executive will be deemed to have been continuously employed, for all purposes under this Agreement and for statutory purposes, since the commencement of the Executive's employment with Protiva on September 30, 2000, which date will also continue to be the anniversary date of the Executive's employment for all purposes under this Agreement.

1.6 The Executive and Tekmira will act with the utmost good faith towards each other with respect to all rights and obligations they may have under this Agreement or otherwise directly or indirectly relating to the Executive's employment or relationship with Tekmira.

2. EXCLUSIVE SERVICE

2.1 During the Executive's employment with Tekmira, the Executive:

(a) will diligently and faithfully devote all of the Executive's business time, attention, energies, and abilities exclusively to the business of Tekmira and the performance of the Executive's duties and responsibilities under this Agreement; and

(b) subject to paragraph 2.2, will not be employed by or render services of a business, professional, or commercial nature, including services as an officer, director, employee, advisor, contractor, consultant, agent, or otherwise, to any other person, firm, entity, or business, whether for remuneration or otherwise, without

the prior written authorization of the Board, such authorization not to be unreasonably withheld.

2.2 Despite paragraph 2.1, during the Executive's employment with Tekmira, the Executive may continue to serve as a trustee of the Northwest Chapter of the Crohn's & Colitis Foundation of America.

3. BASE SALARY

3.1 Tekmira will pay the Executive an annual base salary of $325,000 per year or such greater amount as the Board may determine from time to time in accordance with this Agreement ("Base Salary"), payable in semi-monthly instalments, on Tekmira's normal payroll schedule.

3.2 The Board will annually review the Base Salary and determine if any increase is appropriate, having regard to the Executive's performance and contributions and any other factor or factors the Board may consider appropriate.

4. BONUS PLAN

4.1 The Executive will be entitled to participate in Tekmira's bonus plan for executive employees ("Bonus Plan"), which currently provides for bonuses based on a target bonus opportunity of 50% of the Base Salary earned by the Executive during a fiscal year, provided that the Board may determine that the amount of the payment made to the Executive under the Bonus Plan in respect of a fiscal year may be greater or lesser than the target bonus opportunity, having regard to individual or company performance milestones established from time to time by Tekmira's Compensation Committee, and/or and any other factor or factors the Board may consider appropriate.

5. STATUTORY DEDUCTIONS

5.1 The Base Salary, any payments under the Bonus Plan or under Part 13, and any other payment, award, or benefit made or provided to the Executive under this Agreement or otherwise are subject to all required statutory deductions and withholdings, and any other amount required by law to be deducted or withheld from such payment.

6. INSURANCE AND OTHER BENEFITS

6.1 The Executive will be entitled to:

(a) coverage for the Executive, and for the Executive's spouse and children, under health insurance comparable to the health insurance provided to the Executive by Protiva, and reimbursement by Tekmira of all medical and dental expenses which the Executive, and the Executive's spouse and children, may incur which are not covered or reimbursed by such health insurance (either in whole or in part);

(b) life insurance in the amount of $2,000,000;

(c) short and long term disability insurance coverage that is comparable to the coverage made available by Tekmira to its other executive employees; and

(d) payment of all premiums required to maintain the insurance coverage referenced in subparagraphs (a) to (c) while the Executive is employed by Tekmira, and during any additional period in respect of which that insurance coverage is maintained under paragraph 13.7(b)(i).

6.2 Tekmira will maintain at its expense a policy of directors' and officers' liability insurance for the Executive in the Executive's capacity as a director or officer of Tekmira or any of its affiliates or subsidiaries.

7. SHARE OPTIONS AND OTHER EQUITY-BASED COMPENSATION

7.1 The Executive:

(a) will, immediately upon execution of this Agreement, be entitled to receive a grant of options to purchase 150,000 (one hundred fifty thousand) common shares of Tekmira under Tekmira's Share Option Plan adopted on April 18, 2007, as amended ("Tekmira Share Option Plan");

(b) may, in 2009 and thereafter, be entitled to receive further annual grants of options under the Tekmira Share Option Plan, which grants will be:

(i) made on a prospective basis, without regard or consideration for any other shares or options which may then be held by the Executive, as issued to the Executive under the March 28, 2008 Share Purchase Agreement or the May 2, 2008 Notice and Agreement with respect to Protiva Options, or otherwise; and

(ii) subject to the terms of the Tekmira Share Option Plan, and any applicable laws or regulatory requirements; and

(c) may be entitled to receive additional share option grants, or grants or awards under other equity-based incentive plans or programs, if and to the extent awarded to the Executive under the terms of any other applicable share option agreement, plan, or program, or other equity-based incentive plan or program, which may, from time to time, be approved by the Board and the shareholders of Tekmira.

7.2 If there is a conflict between the terms of this Agreement and the terms of the Tekmira Share Option Plan or any other share option agreement, plan, or program, or other equity- based incentive plan or program referred to in paragraph 7.1, this Agreement will prevail and govern, unless applicable laws or regulatory requirements do not permit this, in which case the terms of the Tekmira Share Option Plan or such other share option agreement, plan, or program, or other equity-based incentive plan or program, will prevail and govern to the extent required by such laws or regulatory requirements.

8. VACATION

8.1 The Executive will receive an annual vacation of not less than 20 working days for each fiscal year of employment under this Agreement, prorated for partial years of employment, in accordance with Tekmira's policies regarding vacations in effect from time to time.

8.2 The Executive may take a vacation or vacations at such times as are mutually convenient to the Executive and Tekmira, provided that if the Executive does not use all of the Executive's vacation entitlement in a given fiscal year, any unused vacation days will remain available to be used in a later year, up to the maximum number of days permitted to be carried over under Tekmira's policies regarding vacations in effect from time to time.

8.3 If the Executive's employment is terminated before the end of a given fiscal year, the Executive will be paid for:

(a) any unused vacation days for previous fiscal years that the Executive was entitled to carry over under paragraph 8.2; and

(b) any earned vacation days for the fiscal year in which the Executive's employment is terminated, which will be determined on a prorated basis depending on the portion of the fiscal year worked by the Executive.

9. REIMBURSEMENT OF EXPENSES

9.1 In accordance with Tekmira's policies in effect from time to time, the Executive will be reimbursed for all travel, entertainment, accommodation, communications, and other expenses which the Executive may incur which are reasonably necessary for the discharge of the Executive's duties and responsibilities, wherever the Executive is performing his duties and responsibilities.

9.2 The Executive will be reimbursed for all professional fees he may incur in preparing income tax returns to be filed in Canada and the United States, and all related advice and representation relating thereto not to exceed $10,000.00 annually.

10. CONFIDENTIALITY

10.1 In this Agreement:

"**Confidential Information**" means all confidential or proprietary information and materials of Tekmira that are not generally known by or available to the public, including, without limitation, Work Product, inventions, discoveries, concepts, ideas, plans, strategies, developments, technologies, computer programs, formulas, algorithms, compilations, data, devices, designs, prototypes, drawings, diagrams, schematics, practices, processes, methods, products, procedures, manuals, techniques, customer and supplier lists and data, price lists, policies, records, specifications, trade secrets, research, laboratory notes, analysis, reports, studies, budgets, projections, bids, costs, financial

reports and information, financing materials, training programs, sales and marketing programs, plans and strategies, regulatory filings, and correspondence, but excluding any information or materials that:

(a) were known by the Executive before Tekmira's disclosure of such information or materials to the Executive;

(b) came into the Executive's knowledge or possession from a third party who was not under any obligation to Tekmira to maintain the confidentiality of such information or materials; or

(c) are or have become generally known by or available to the public through no fault of the Executive.

10.2 The Executive will forever:

(a) keep private and maintain in strict confidence the Confidential Information; and

(b) not, directly or indirectly, use, disseminate, disclose, publish, duplicate, or summarize the Confidential Information, in whole or in part, except to the extent:

(i) required by law;

(ii) required to enable the Executive to discharge the Executive's duties and responsibilities under this Agreement; or

(iii) that Tekmira first consents in writing, and the Executive complies with all terms and conditions imposed by Tekmira in the consent.

11. WORK PRODUCT

11.1 In this Agreement:

(a) "**Business of Tekmira**" means the business of Tekmira through the Executive's Last Day of Employment, namely, commercial activity involving the development and/or use of lipid-based, nucleic acid delivery technologies, for therapeutic purposes;

(b) "**Intellectual Property**" means all proprietary rights and interests in, to, or associated with Work Product, including, without limitation, all registered and unregistered copyrights, patents, industrial designs, trade-marks, trade names, trade secrets, goodwill, all applications and all rights to file applications for all of the foregoing, and all rights of action for infringement, misappropriation, or other misuse, and any other rights in and to the Work Product;

(c) "**Prior Invention**" means any concept, method, process, technology, invention, development, or other work which is disclosed in Appendix B;

(d) "**Work Product**" means all work product of every kind, including, without limitation, all inventions, discoveries, concepts, ideas, plans, strategies, developments, technologies, computer programs, software source and object codes, writings, formulas, algorithms, compilations, information, data, devices, designs, prototypes, drawings, diagrams, schematics, practices, processes, methods, products, procedures, manuals, techniques, and other works of authorship, and all modifications and improvements to any of the foregoing, whether or not patented, registered, or otherwise protected, that is or are invented, made, created, authored, generated, compiled, conceived, developed, completed, reduced to practice, or worked on by the Executive:

(i) used in or relating to the Business of Tekmira; and

(ii) resulting from work performed by the Executive for Tekmira, or with the use of Tekmira's equipment, facilities, materials, property, or personnel;

but excluding any Prior Inventions.

11.2 Tekmira is and will be the sole owner of all Work Product and Intellectual Property.

11.3 For greater certainty:

(a) the Executive irrevocably assigns and transfers to Tekmira all rights, title, and interest in and to all Work Product and Intellectual Property, and all rights of action for infringement or other misuse, including all rights to file applications, and all pending applications, to patent, register, or record the Work Product and Intellectual Property;

(b) to the extent the Executive holds or acquires legal title to any Work Product or Intellectual Property, the Executive holds it as trustee and agent for Tekmira; and

(c) on request by Tekmira, the Executive will, during and after the Executive's employment with Tekmira, execute and deliver to Tekmira all instruments that Tekmira considers necessary to effect, perfect, register, or record its interest in Work Product and Intellectual Property, or to patent, register, or record Work Product and Intellectual Property in Tekmira's name, or to obtain, maintain, or enforce its rights and interest in Work Product and Intellectual Property in connection with any interference, litigation, opposition, or other proceeding to which Work Product or Intellectual Property is relevant, provided that Tekmira reimburses the Executive for all reasonable expenses incurred to fulfill these obligations.

11.4 The Executive irrevocably nominates, appoints, and constitutes Tekmira as the Executive's true and lawful attorney with power to do all things and execute all documents on the Executive's behalf as may be required to give effect to this Part 11, including, without limitation, the actions contemplated in paragraph 11.3. The attorney so appointed may exercise this power as the attorney deems appropriate to give effect to the intent of this Part 11.

11.5 The Executive will, during and after the Executive's employment with Tekmira, assist Tekmira as much as is reasonably necessary to establish, protect, and enforce Work Product and Intellectual Property, provided that Tekmira:

(a) reimburses the Executive for all reasonable expenses thereby incurred; and

(b) provides reasonable compensation to the Executive for efforts thereby expended after the end of the Executive's employment with Tekmira.

11.6 The Executive irrevocably waives in favour of Tekmira any and all moral rights that the Executive may have with respect to any Work Product, including, without limitation, the right to attribution of authorship, the right to restrain or claim damages for any distortion, mutilation, modification, or enhancement of any Work Product, and the right to retain, use, or reproduce any Work Product in any context and in connection with any product, service, or business, and Tekmira may use or alter any Work Product as Tekmira sees fit.

11.7 At the end of the Executive's employment, the Executive will return to Tekmira all Work Product and all other property of Tekmira, including, without limitation, all computers, telephones, personal digital assistants, and other equipment, and all Confidential Information, proprietary or licensed computer programs, customer lists, customer data, books, records, forms, specifications, formulas, data, data processes, designs, papers, and writings relating to the Business of Tekmira, and any copies thereof, in the Executive's possession.

12. RESTRICTIONS ON SOLICITATION AND COMPETITION

12.1 In this Agreement:

(a) "**Business of Tekmira**" means the business of Tekmira through the Executive's Last Day of Employment, namely, commercial activity involving the development and/or use of lipid-based, nucleic acid delivery technologies, for therapeutic purposes;

(b) "**Competitor of Tekmira**" means any person, persons, entity, firm, association, corporation, or other business enterprise engaged in any commercial activity, anywhere in the world, that is or is being prepared to be in competition with the Business of Tekmira, including, without limitation, the development, manufacture, or sale of any product or service in competition with a product or service developed, in development, manufactured, or sold by Tekmira through the Executive's Last Day of Employment.

12.2 While the Executive is employed by Tekmira and for a period of 24 months after the Last Day of Employment, the Executive will not, whether as an officer, director, employee, advisor, contractor, consultant, agent, or otherwise, either on his own or in conjunction with any person, persons, entity, firm, association, corporation, or other business enterprise, or in any other manner whatsoever, directly or indirectly:

(a) solicit or attempt to solicit any employee, consultant, customer, or supplier of Tekmira in any manner that may reasonably be expected to interfere with, impair, or damage the business or commercial interests of Tekmira;

(b) wilfully interfere with, impair, or damage any relationship between Tekmira and any employee, consultant, customer, or supplier of Tekmira; or

(c) subject to paragraph 12.3, enter into, carry on, engage in, or be connected with or interested in any commercial activity anywhere in the world that is, will be, or is being prepared to be in direct competition with the Business of Tekmira, and that is substantially related to any business, activity, or services:

(i) that the Executive engaged in or performed for or on behalf of Tekmira through the Executive's Last Day of Employment; or

(ii) for which the Executive had responsibility with Tekmira through the Executive's Last Day of Employment.

12.3 For greater certainty, the Executive will not be in breach of paragraph 12.2(c) by virtue of the Executive:

(a) investing, owning shares, or holding any other interest in any corporation, business, firm, association, or other entity that is not a Competitor of Tekmira; or

(b) holding, for portfolio purposes and as a passive investor, no more than 5% of the issued and outstanding shares of (or of any other interest in) any Competitor of Tekmira.

13. TERMINATION

13.1 In this Agreement:

(a) "**Base Annual Compensation**" means the sum of:

(i) the Base Salary; and

(ii) the Bonus Target;

(b) "**Bonus Target**" means an amount equal to 50% of the Base Salary;

(c) "**Cause**" means any serious misconduct by the Executive that would constitute just cause for the termination of the Executive's employment by Tekmira under the common law, and, for greater certainty, does not include an act or omission by the Executive that is contrary to a policy of Tekmira if such act or omission would not otherwise constitute just cause for the termination of the Executive's employment by Tekmira under the common law;

(d) "**Change of Control**" means the occurrence of any one or more of the following events:

(i) the acquisition, aggregation, or continuing ownership by any person, entity, or group of persons or entities acting jointly or in concert ("Acquirors"), directly or indirectly, of beneficial ownership or control of Voting Shares or Convertible Securities (including, without limitation, the power to vote or direct the voting thereof), as a result of which the Acquirors and/or associates and/or affiliates of the Acquirors become entitled for the first time (assuming the conversion, exchange or exercise of Convertible Securities beneficially owned or controlled by the Acquirors and associates and affiliates of the Acquirors) to cast or direct the casting of 50% or more of the votes attached to all shares in the capital of Tekmira that may be cast to elect directors (regardless of whether a meeting has been called to elect directors);

(ii) the sale, lease, exchange, or other disposition of all or substantially all of the assets or business of Tekmira;

(iii) a consolidation, merger, amalgamation, arrangement, reorganization, or other business combination involving Tekmira, as a result of which the holders of Voting Shares and Convertible Securities immediately before the completion of such transaction hold less than 50% of the outstanding common shares and other shares entitled to vote for the election of directors of the successor corporation or entity after completion of the transaction;

(iv) the replacement or removal from the Board, before May 30, 2010, of any of the directors who were nominated by Protiva on or before May 30, 2008, or their successors (collectively, the "Protiva Directors"), without the approval of a majority of the Protiva Directors then serving;

(v) the adoption of a resolution to wind up, dissolve, or liquidate Tekmira; or

(vi) the adoption of a resolution by the Board declaring that a Change of Control has occurred;

(e) "**Convertible Securities**" means securities convertible into, exchangeable for, or representing the right to acquire Voting Shares;

(f) "**Good Reason**" means the occurrence, without the Executive's written consent (except in connection with the termination of the Executive's employment for Cause) of any one or more of the following events:

(i) a reduction or adverse change in the Executive's title, position, office, duties or responsibilities of employment, or the Executive's reporting relationships, including any removal of the Executive from, or any failure to re-elect or re-appoint the Executive to any such position or office,

including as a director of Tekmira, or as a director or officer of any of its affiliates or subsidiaries;

(ii) a reduction in the Executive's Base Salary or the Executive's target bonus opportunity under the Bonus Plan;

(iii) a reduction in the overall value of the Executive's benefits under Part 6, or the right of the Executive, or of the Executive's spouse and children, to reimbursement of medical and dental expenses under Part 6;

(iv) a reduction in the extent to which the Executive is entitled to be reimbursed for expenses under Part 9;

(v) any act or omission by Tekmira at the time of, or within 24 months after, a Change of Control that deprives the Executive of any benefit of employment which the Executive was entitled to immediately before the Change of Control, including any failure by Tekmira to increase or improve any such benefit on a basis consistent with practices in effect immediately before the Change of Control, or, if more favourable to the Executive, on a basis consistent with practices implemented after the Change of Control with respect to other executive employees of Tekmira;

(vi) any failure by Tekmira, at the time of, or within 24 months after, a Change of Control, to continue in effect any employee benefit plan or program, including any health, dental, or disability plan or program, any insurance policy, any retirement plan or program, or any share option or other equity-based incentive plan or program, in which the Executive participated or was entitled to participate immediately before the Change of Control, where such failure constitutes an adverse change to the Executive's terms of employment, including any act or omission by Tekmira that has an adverse effect on the Executive's participation or entitlement to participate in such plan or program, or that reduces or impairs the Executive's rights or benefits under such plan or program;

(vii) any reduction in the Executive's annual vacation entitlement;

(viii) any action or decision by Tekmira or by the Board requiring the Executive to change his principal place of residence to British Columbia;

(ix) a failure by Tekmira to obtain, in a form satisfactory to the Executive, an effective assumption of its obligations under this Agreement (or any other agreement to which the Executive is or may become a party) by any successor to Tekmira, including a successor to a material portion of its business;

(x) a breach by Tekmira of any of its material obligations under this Agreement; or

(xi) any other act or omission by Tekmira that would constitute a constructive dismissal under the common law;

(g) "**Last Day of Employment**" means:

(i) immediately on receipt of the Notice of Termination if the Executive's employment is terminated by Tekmira for Cause;

(ii) the effective date of the Notice of Termination if the Executive's employment is terminated by the Executive without Good Reason; or

(iii) immediately on receipt of the Notice of Termination if the Executive's employment is terminated by Tekmira for any reason other than for Cause, or is terminated by the Executive for Good Reason;

or such later date as may otherwise be agreed between Tekmira and the Executive;

(h) "**Notice of Termination**" means a written notice of termination of the Executive's employment with Tekmira;

(i) "**Voting Shares**" means common shares of Tekmira, and any other shares entitled to vote for the election of directors of Tekmira.

13.2 Tekmira may terminate the Executive's employment at any time by giving a Notice of Termination to the Executive.

13.3 The Executive may terminate the Executive's employment for Good Reason by giving a Notice of Termination to Tekmira within 12 months of the occurrence of any event constituting Good Reason, although the Executive will not be required to give a Notice of Termination to Tekmira if he dies within 12 months of the occurrence of any event constituting Good Reason without having previously given a Notice of Termination.

13.4 The Executive may terminate the Executive's employment at any time without Good Reason by giving a Notice of Termination to Tekmira, providing Tekmira with 90 days' notice of the termination of the Executive's employment, which Tekmira may waive in whole or in part.

13.5 If the Executive's employment is terminated by the Executive without Good Reason, Tekmira will:

(a) pay any unpaid Base Salary earned by the Executive up to the Last Day of Employment, and, if Tekmira has waived the notice period or any part of it under paragraph 13.4, the equivalent Base Salary the Executive would otherwise have earned during the notice period;

(b) pay the balance of any outstanding payments due to the Executive under the Bonus Plan in respect of the current fiscal year up to and including the last day of the notice period, and in respect of any previous fiscal years; and

(c) make any payments due under paragraph 8.3 or Part 9.

13.6 If the Executive's employment is terminated by Tekmira for Cause, Tekmira will:

(a) pay any unpaid Base Salary earned by the Executive up to the Last Day of Employment;

(b) pay the balance of any outstanding payments due to the Executive under the Bonus Plan in respect of the current fiscal year up to and including the Last Day of Employment, and in respect of any previous fiscal years; and

(c) make any payments due under paragraph 8.3 or Part 9.

13.7 If the Executive's employment is terminated by Tekmira for any reason other than for Cause or is terminated by the Executive for Good Reason, Tekmira will make the payments referred to in paragraph 13.6(a), (b) and (c), and, in addition:

(a) Tekmira will pay the Executive a lump sum amount as severance compensation, equal to 24 months of Base Annual Compensation;

(b) Tekmira will do one of the following, at its option:

(i) maintain all insurance coverage and other rights of the Executive under paragraph 6.1 for a period of 24 months after the Last Day of Employment, or

(ii) pay the Executive a further lump sum amount of 15% of the amount in paragraph 13.7(a), as compensation for loss of such insurance coverage and other rights;

(c) if the Executive holds any options, grants, rights, warrants, or other entitlements (collectively, "Securities") issued by Tekmira or any subsidiary or affiliate thereof for the purchase or acquisition of shares in the capital of Tekmira or any subsidiary or affiliate thereof, regardless of whether the Securities may then be exercised:

(i) all such Securities will be deemed to be granted to the Executive, vested, and available for exercise immediately and continuing for a period that ends on the earlier of the original expiry date of the Securities and 24 months after the Last Day of Employment, subject to the terms of the Tekmira Share Option Plan or any other applicable share option agreement, plan, or program, or other applicable equity-based incentive plan, or program, and any required regulatory approval (provided that Tekmira will use its best efforts to obtain such regulatory approval); and

(ii) if it is not possible for the Securities (or any portion thereof) to be exercised by the Executive during any portion of the period of time when clause (i) specifies that the Securities will be exercisable, the Board will further extend the period of time during which the Securities (or any portion thereof) may be exercised by the Executive, to ensure that the total period of time during which the Securities (or portion thereof) are exercisable by the Executive after the Last Day of Employment is the same as what is specified under clause (i), subject to the terms of the Tekmira Share Option Plan or any other applicable share option agreement, plan, or program, or other applicable equity-based incentive plan, or program, and any required regulatory approval (provided that Tekmira will use its best efforts to obtain such regulatory approval); and

(d) Tekmira will make a prorated payment under the Bonus Plan in respect of the fiscal year in which the Executive's employment is terminated, which will be determined based on the average of the actual percentage achievement of the Executive's target bonus opportunity for the previous three fiscal years, multiplied by the Bonus Target as of the end of the month immediately before the Last Day of Employment, and prorated for the portion of the year ending on the Last Day of Employment.

13.8 For any period before May 30, 2008, the reference in paragraph 13.7(d) to the actual percentage achievement of the Executive's target bonus opportunity:

(a) is deemed to refer to the actual percentage achievement, as the case may be, of:

(i) the Executive's Performance Bonus under Section 7 of the August 31, 2001 Executive Employment Agreement between the Executive and Protiva (before that Agreement was amended on May 1, 2007); or

(ii) the Executive's Annual Variable Compensation under Section 2.3 of the May 1, 2007 Amending Agreement to Employment Agreement between the Executive and Protiva; and

(b) excludes any Participation Bonus under Section 2.2 of the May 1, 2007 Amending Agreement to Employment Agreement between the Executive and Protiva.

13.9 If the Executive is unable to substantially perform his duties and responsibilities under this Agreement by reason of illness or disability for a period of 90 consecutive days or more, Tekmira may terminate the Executive's employment, and paragraph 13.7 will apply.

13.10 If the Executive dies, the Executive's estate will be entitled to receive:

(a) any unpaid Base Salary earned up to the date of the Executive's death;

(b) the balance of any payments which may be due to the Executive under the Bonus Plan as of the date of the Executive's death; and

(c) any amounts due to the Executive under paragraph 8.3 or Part 9, or otherwise under this Part 13 (to the extent such amounts are not otherwise payable under this paragraph 13.10), as of the date of the Executive's death; and

(d) any outstanding share options or other grants or awards held by the Executive, as of the date of the Executive's death, under the Tekmira Share Option Plan or any other share option agreement, plan, or program, or other equity-based incentive plan or program, which will continue to be governed by the provisions of the applicable agreement, plan, or program.

13.11 The Executive will not be required to seek other employment, or to otherwise mitigate any loss or damage, for the Executive or his estate to be entitled to receive any payments payable under this Agreement after termination of the Executive's employment or as a result of the Executive's disability or death, and no amount will be set off against any such payments on account of any remuneration or benefit that the Executive may receive as a result of any other employment the Executive may obtain, or for any other reason.

13.12 Before any payments are made to the Executive or his estate under paragraph 13.7, 13.9, or 13.10 that are in excess of any payments required under the *Employment Standards Act* (British Columbia), the Executive or his estate, as applicable, will execute and deliver to Tekmira a release substantially in the form attached as Appendix C.

13.13 Regardless of the reason for the termination of the Executive's employment hereunder, the Executive may continue at his own expense after any such termination, coverage under any insurance plans under Part 6, providing the applicable insurer or insurers so permit.

14. ENFORCEMENT

14.1 The Executive agrees that the restrictions in Parts 11 and 12 are necessary for the protection of Tekmira's interests.

14.2 Tekmira would suffer irreparable harm as a result of any breach of the Executive's obligations under Part 11 or 12, for which damages would not be an adequate remedy, and Tekmira may apply to the Supreme Court of British Columbia for injunctive relief for such a breach.

15. MEDIATION OF DISPUTES

15.1 Before initiating any legal proceedings, the parties will attempt to resolve all disputes concerning the interpretation, application, or enforcement of any term of this Agreement, any alleged breach of or non-compliance with this Agreement, or otherwise arising out of or in connection with this Agreement or any aspect of the Executive's employment or relationship with Tekmira or the termination of that employment or relationship, by mediated negotiation, and will use their best efforts to agree on a mediator and to resolve any disputes by mediation.

16. GOVERNING LAW AND FORUM

16.1 This Agreement is deemed to be made in British Columbia, and will be governed by and construed and interpreted in accordance with the laws of British Columbia and laws of Canada applicable therein.

16.2 The Courts of British Columbia will have exclusive jurisdiction to resolve all disputes concerning the interpretation, application, or enforcement of any term of this Agreement, any alleged breach of or non-compliance with this Agreement, or otherwise arising out of or in connection with this Agreement or any aspect of the Executive's employment or relationship with Tekmira or the termination of that employment or relationship.

17. NOTICES

17.1 All notices and other communications required or permitted to be given under this Agreement will be in writing and delivered to the party entitled to receive them, as follows:

(a) DR. MARK J. MURRAY
c/o Tekmira Pharmaceuticals Corporation,
200 - 8900 Glenlyon Parkway,
Burnaby, BC V5J 5J8

(b) TEKMIRA PHARMACEUTICALS CORPORATION
200 - 8900 Glenlyon Parkway,
Burnaby, BC V5J 5J8
Fax no. 604.419.3201
Attention: ¿

17.2 Either party may notify the other in writing of a change of address to which notices will thereafter be given.

18. SEVERABILITY AND WAIVER

18.1 Each provision of this Agreement is a separate obligation and is severable from all other such obligations, and if any of them is held by a Court to be invalid or unenforceable, this Agreement will be construed by limiting, restricting, or reducing the application or scope of the applicable provision or provisions, to the extent necessary to comply with applicable law then in effect.

18.2 In this Agreement:

(a) a waiver of any provision of this Agreement will not be binding unless in writing and signed by both parties;

(b) a failure to exercise or a delay in exercising any right or remedy under this Agreement will not be deemed to be a waiver of that right or remedy; and

(c) a waiver or excuse by either party of any default or breach by the other party of any provision of this Agreement will not waive that party's rights in respect of any continuing or subsequent default or breach, or affect the rights of that party in respect of any such continuing or subsequent default or breach.

19. ENUREMENT

19.1 This Agreement will enure to the benefit of and be binding on the parties and their respective heirs, executors, administrators, successors, and permitted assigns.

20. INTERPRETATION

20.1 In this Agreement:

(a) "**Board**" means the Board of Directors of Tekmira;

(b) "**day**" means calendar day, unless otherwise specified;

(c) "**Protiva**" includes, as the context may require, its affiliates, subsidiaries, associated companies, successors, and assigns; and

(d) "**Tekmira**" includes, as the context may require, its affiliates, subsidiaries, associated companies, successors, and assigns.

20.2 All monetary amounts referenced in this Agreement are in Canadian currency.

20.3 Any reference in this Agreement to an enactment will be deemed to be a reference to such enactment as it may be amended or replaced from time to time, and any reference to a particular provision of an enactment will include a reference to an equivalent provision, if the enactment is amended or replaced.

20.4 Any rule of interpretation that any ambiguity is to be resolved against the drafting party is not applicable to this Agreement.

21. OTHER RIGHTS OF THE EXECUTIVE

21.1 Nothing in this Agreement will affect or diminish any rights of the Executive under the Indemnity Agreement dated August 31, 2001 between the Executive and Protiva, the March 28, 2008 Share Purchase Agreement, the May 2, 2008 Notice and Agreement with respect to Protiva Options between the Executive and Protiva, or the May 23, 2008 Secured Promissory Note issued to the Executive by Protiva.

21.2 Subject to paragraph 21.1, if, as, and when the Executive is paid the amounts declared to be payable to him under item no. 25 of Part I of Appendix A to the March 28, 2008 Share Purchase Agreement, the Executive will then have been paid all compensation due or owing to him by Protiva.

22. ENTIRE AGREEMENT

22.1 Subject to Part 21, this document contains the entire agreement between the parties with respect to the Executive's employment by Tekmira, and cancels and supersedes all prior agreements and discussions between them relating to the Executive's employment.

22.2 Except as provided in this Agreement, no amendment or variation of the terms of this Agreement will be effective or binding unless in writing and signed by both parties.

TO EVIDENCE THEIR AGREEMENT the parties have executed this Agreement on the dates appearing below.

SIGNED, SEALED AND DELIVERED by MARK J. MURRAY in the presence of:	)	
/s/ IAN MACLACHLAN	)	
(Signature of Witness)	)	**/s/ MARK J. MURRAY**
	)	**MARK J. MURRAY**
Ian MacLachlan	)	
(Print Name of Witness)	)	
8040 Aves, Terrace Mission BC.	)	
(Address of Witness)	)	
Scientist	)	
(Occupation of Witness)	)	
Aug. 12, 2008	)	
(Date)	)	

TEKMIRA PHARMACEUTICALS CORPORATION

By:
[UNREADABLE]
Authorized Signatory

Date: AUGUST 31, 2008

APPENDIX A

Duties and Responsibilities of Dr. Mark J. Murray

A. Overall responsibility for and leadership of:

- Scientific direction and business strategy
- Strategic and business planning, business development, budgeting, and corporate development
- Regulatory reporting and compliance
- Finance/Accounting, IT, and legal functions
- Corporate governance
- Acquisitions/Merger strategies
- Human resource policy, including compensation, performance management, and incentives
- Financing strategy and capital raising initiatives
- Public relations and investor relations strategies
- Capital market strategies/corporate finance

B. Serving as a director of Tekmira Pharmaceuticals Corporation and of all of its subsidiaries, including Protiva Biotherapeutics Inc. and Protiva Biotherapeutics (USA) Inc.

APPENDIX B

Prior Inventions

The following issued U.S. patents are Prior Inventions for the purpose of Part 11 of this Agreement:

(a) Murray et al., Expression of Biologically Active PDGF Analogs in Eucaryotic Cells, No. 5,187,263, Issued February 16, 1993

(b) Murray et al., Expression of Biologically Active PDGF Analogs in Eucaryotic Cells, No. 4,766,073, Issued August 23, 1988

(c) Murray et al., Biologically Active PDGF Derived A-chain Homodimers, No. 4,889,919, Issued December 26, 1989

(d) Murray et al., Biologically Active B-chain Homodimers, No. 5,516,896, Issued May 14, 1996

(e) Murray et al., Biologically Active Mosaic Proteins, No. 5,498,600, Issued March 12, 1996

(f) Murray et al., Biologically Active B-chain Homodimers, No. 5,428,010, Issued June 27, 1995

(g) Murray et al., Biologically Active B-chain Homodimers, No. 4,845,075, Issued July 4, 1989

(h) Foster et al., Expression of Protein C, No. 4,959,318, Issued September 25, 1990

(i) Kelly et al., Methods for Detecting PDGF Agonist or Antagonist Activity Using PDGF a-Receptor, No. 5,618,678, Issued April 8, 1997

(j) Foster et al., Production of Activated Protein C, No. 5,516,650, Issued May 14, 1996

(k) Murray et al., PDGF Analogs and Methods of Use, No. 5,474,982, Issued December 12, 1995

(l) Murray et al., PDGF Analogs and Methods of Use, No. 5,128,321, Issued July 7, 1992

(m) Murray et al., Expression of Biologically Active PDGF Analogs in Eucaryotic Cells, No. 4,801,542, Issued January 31, 1989

(n) Murray et al., Expression of Biologically Active PDGF Analogs in Yeast, No. 4,769,328, Issued September 6, 1988

(o) Murray et al, Expression of Biologically Active PDGF Analogs in Eucaryotic Cells, No. 5,045,633, Issued September 3, 1991

(p) Murray et al., Biologically Active A-chain Homodimers, No. 6,004,929, Issued December 21, 1999

APPENDIX C

Form of Release

I, **Mark J. Murray**, in consideration of the gross sum of $¿ (less required statutory deductions and withholdings), agree:

1. To release and forever discharge Tekmira Pharmaeuticals Corporation ("Tekmira"), its affiliates and subsidiaries, its and their successors and assigns, and its and their officers, directors, employees, shareholders, agents, and otherwise, as the case may be (collectively, the "Releasees"), of and from all causes of action, suits, contracts, complaints, claims, damages, costs, and expenses which, as against the Releasees, and any of them, I have ever had or now have, arising up and including the date of execution of this document, concerning:

(a) my hiring or the termination of my employment with Tekmira, or in any other way relating directly or indirectly to my employment with Tekmira;

(b) the loss of medical insurance, life insurance, share options, bonuses, incentive compensation, equity-based incentives, and any other form of compensation, benefit, or perquisite of my employment with Tekmira;

(c) disability or sickness, or for insurance benefits relating thereto; and

(d) claims arising under any Federal or Provincial statute, including specifically claims under the [*names of applicable statutes to be inserted by Tekmira when the employment relationship is terminated*];

provided that nothing herein will affect or diminish:

(e) any of my rights under the March 28, 2008 Share Purchase Agreement, the May 2, 2008 Notice and Agreement with respect to Protiva Options, or the May 23, 2008 Secured Promissory Note referenced in paragraph 21.1 of my Employment Agreement with Tekmira dated May 30, 2008;

(f) any of my rights under any Indemnity Agreement between me and Tekmira or any of its affiliates or subsidiaries, including Protiva Biotherapeutics Inc.; or

(g) any other right to contribution or indemnity that I may otherwise have under law.

2. That I have read and understand this document, and either received legal advice about it before I signed it, or declined to obtain such advice.

3. That the foregoing consideration is accepted voluntarily, for the purpose of making a full and final settlement of all claims referenced above.

SIGNED, SEALED AND DELIVERED by **Mark J. Murray** in the presence of:

)
)
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)
)
)
)
)

_____
Signature

_____
Print Name

_____
Address

_____
Occupation

_____
Date

_____
MARK J. MURRAY

BETWEEN:

MARK J. MURRAY

AND:

TEKMIRA PHARMACEUTICALS CORPORATION

EXECUTIVE EMPLOYMENT AGREEMENT

Davis LLP
2800 Park Place
666 Burrard Street
Vancouver, BC V6C 2Z7

73364-00001 AAS/JKH/mef

Exhibit 4.12

EMPLOYMENT AGREEMENT

THIS AGREEMENT MADE THE 1st day of January, 2009

BETWEEN:

TEKMIRA PHARMACEUTICALS CORPORATION, a company incorporated under the laws of British Columbia ("the Company"), with offices at 100 – 8900 Glenlyon Parkway, Burnaby, British Columbia [fax: (604) 419-3201]

AND:

PETER LUTWYCHE (the "Executive"), of
2144 East 3rd Avenue, Vancouver, BC, Canada, V5N 1H8.

WHEREAS:

A. The Company is in the business of acquiring, inventing, developing, discovering, adapting and commercializing inventions, methods, processes and products in the fields of chemistry, biochemistry, biotechnology and pharmaceuticals;

B. The Executive has the expertise, qualifications and required certifications to perform the services contemplated by this agreement;

C. The Company wishes to continue to employ the Executive to perform the services, on the terms and conditions herein set forth, and for the consideration of TEN DOLLARS ($10.00), and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged.

NOW THEREFORE THIS AGREEMENT WITNESSES that the parties hereto agree as follows:

1. DEFINITIONS

In this Agreement:

(a) **"Inventions"** means all patents, patent applications, ideas, discoveries, inventions, formulae, algorithms, techniques, processes, know-how, trade secrets, and other intellectual property, including all expressions of such intellectual property in tangible form;

(b) **"Change of Control"** means the first occurrence of any of the following events:

(i) The acquisition by a person of beneficial ownership of 50% or more of the voting securities of the Company then outstanding; provided, however, that any acquisition by any person whose ordinary business includes the management of investment funds for others and such voting securities are beneficially owned by such person in the ordinary course of such business shall not constitute a Change of Control; and

(ii) consummation of a merger, amalgamation, arrangement, business combination, reorganization or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "**Business Combination"**), in each case, unless, following such Business Combination: persons who were the beneficial owners, respectively, of the outstanding voting securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then outstanding voting securities of the successor entity resulting from such Business Combination (including, without limitation, a company which as a result of such transaction owns all or substantially all of the Company's assets either directly or through one or more subsidiaries).

(c) **"Confidential Information"** means information and materials that are confidential or proprietary, and includes without limitation, Inventions, research, laboratory notes, data, analysis, assays, designs, methods, flow charts, drawings, specifications, plans, prototypes, apparatus, devices, biological materials and their progeny and derivatives, reagents, specimens, manufacturing and production processes, patents portfolio, pre-clinical and clinical trials (abandoned or undertaken), regulatory filings and correspondences, software, financial statements and forecasts, customer and supplier lists, relationship with consultants, contracts, business plans and marketing strategies;

(d) **"For Cause"** has the meaning determined from time to time in employment law and includes

(ii) the willful and continued failure by the Executive to perform his duties with the Company or to follow lawful direction from the Company's Board of Directors or management; or

(iii) the willful engaging by the Executive in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise;

and any such action by the Executive or any failure on the part of the Executive to act, will be deemed to be "willful" when done (or "omitted" to be done) and such action will be deemed to be in bad faith and contrary to the best interests of the Company.

2. EMPLOYMENT

(a) The Company will continue to employ the Executive in the position of Vice President, Pharmaceutical Development. The Executive will perform duties as determined by the Company from time to time and will comply with all lawful instructions as may be given by members of management of the Company.

(b) For statutory purposes, the Executive's effective date of employment with the Company is February 11, 2008.

(c) The Executive acknowledges and agrees that the employment relationship will be governed by the standards and terms established by the Company's policies as they are established from time to time and agrees to comply with the terms of such policies so long as they are not inconsistent with any provisions of the Agreement. The Executive will inform himself of the details of such policies and amendments thereto established from time to time.

(d) The Executive agrees that as a high technology professional, as defined in the *Employment Standards Act* of British Columbia Regulations, his hours of work will vary and may be irregular and will be those hours required to meet the objectives of his employment. The Executive agrees that the compensation described in Paragraph 3 of this Agreement compensates him for all hours worked.

(e) The Executive will devote himself exclusively to the Company's business and will not be employed or engaged in any capacity in any other business without the prior permission of the Company, such permission not to be unreasonably withheld.

(f) The Executive will promptly disclose to the Company upon execution of this Agreement a list of all Inventions which are used in or relate to the business of the Company, its subsidiaries and/or affiliates and which the Executive has conceived of prior to the execution of this Agreement (together, "Prior Inventions"), unless the Executive is under an obligation to someone else not to disclose an Invention. The list of Prior Inventions will be attached as Appendix "A" to this Agreement.

3. REMUNERATION AND BENEFITS

The Company:

(a) Will pay the Executive an annual salary of $205,000.00 (Canadian funds) (the "Base Salary"), which salary may be reviewed and revised on an annual basis; PROVIDED HOWEVER that such review may not result in a decrease in the Base Salary;

(b) Will entitle the Executive to a target cash bonus of up to 35 percent of his Base Salary, such bonus to be determined against objectives to be agreed to between the Executive and the Company's Chief Executive Officer and approved by the Company's Board of Directors. The said bonus will be pro-rated based upon the Executive's length of service during the year;

(c) Will allow the Executive to enroll in the Company's insurance benefits package, as amended from time to time. Such benefits will be provided in accordance with the formal plan documents or policies and any issues with respect to entitlement or payment of benefits under the insurance benefits package will be governed by the terms of such documents or policies. The Company reserves the right to unilaterally revise the terms of the insurance benefits package. If the Company is unable to provide some or all of the standard benefits to the Executive, then the Executive will be provided with compensation in lieu thereof;

(d) Will allow the Executive to be eligible for participation in the Company's share incentive plan, subject to the terms of the plan;

(e) Will reimburse the Executive for all reasonable expenses incurred by the Executive in connection with the performance of his duties. The Executive will provide the Company with receipts supporting his claim for reimbursement;

(f) Will provide the Executive with four weeks' vacation each year, to be scheduled at times that are mutually acceptable to the Executive and the Company.

4. CONFIDENTIALITY

(a) **Confidential Information.** During the Executive's employment with the Company, the Executive may have had or will have access to information and materials that are confidential or proprietary to the Company, its subsidiaries or its affiliates (together, "Confidential Information"). Such Confidential Information includes, without limitation, Inventions, research, laboratory notes, data, analysis, assays, designs, methods, flow charts, drawings, specifications, plans, prototypes, apparatus, devices, biological materials and their progeny and derivatives, reagents, specimens, manufacturing and production processes, patents portfolio, pre-clinical and clinical trials (abandoned or undertaken), regulatory filings and correspondences, software, financial statements and forecasts, customer and supplier lists, relationship with consultants, contracts, business plans and marketing strategies. The Company's obligation to hold in confidence information belonging to third parties is also considered Confidential Information. However, Confidential Information excludes information and materials which the Executive can demonstrate by written record:

(i) were known by the Executive before the Company's disclosure to the Executive;

(ii) properly came into the Executive's possession from a third party who was not under any obligation to the Company to maintain the confidentiality; or

(iii) had become generally available to the public through no fault of the Executive.

(b) **Maintaining Confidentiality.** The Executive will maintain the confidentiality of the Company's Confidential Information both during and after the Executive's employment with the Company. The Executive will not use, copy, disclose, publish, make available, distribute or otherwise exploit the Company's Confidential Information, directly or indirectly, without first obtaining the Company's written consent, except in furtherance of the Executive's employment with the Company, or except as required by applicable law provided that the Executive has first promptly notified the Company of such requirement prior to disclosure of the Company's Confidential Information.

(c) **Ownership of Confidential Information.** All rights, title and interest in and to the Company's Confidential Information, whether or not developed by the Executive, will be and remain the exclusive property of the Company, its subsidiaries, affiliates or the relevant third party as the case may be.

(d) **Return of Confidential Information.** Once the Executive has ceased to be an Executive with the Company, the Executive will return to the Company promptly all the Company's Confidential Information and all other information, documents and materials which are used in or relate to the Company's business, whether or not they are confidential.

5. INVENTION ASSIGNMENT

(a) The Executive agrees that the Company will have exclusive ownership in all Inventions which are used in or relate to the Company's business and which the Executive conceives of or makes for the Company or its subsidiaries or affiliates during the Executive's employment with the Company and that the Executive will promptly disclose the Inventions to the Company in writing. This will be the case, whether or not an Invention is:

(i) capable of being protected by copyright, patent, industrial design, trade mark or other similar legal protection,

(ii) conceived or made by the Executive during or outside his regular working hours, or

(iii) conceived or made by the Executive alone or jointly with others.

However, it is acknowledged and agreed that this paragraph will not apply to any Invention developed by the Executive outside his regular working hours if such Invention:

(iv) was not within the scope of the Executive's employment duties,

(v) was developed without the use of Confidential Information, and

(vi) was developed without the use of any of the Company's corporate resources.

(b) The Executive hereby assigns and will assign to the Company all rights, title and interest may now or in the future have in and to the Inventions and waives his moral rights to any and all copyrights subsisting in the Inventions. If required by the Company, the Executive will sign any applications or other documents the Company may reasonably request:

(i) to obtain or maintain patent, copyright, industrial design, trade mark or other similar protection for the Inventions,

(ii) to transfer ownership of the Inventions to the Company, and

(iii) to assist the Company in any proceeding necessary to protect and preserve the Inventions. The Company will pay for all expenses associated with preparing and filing such documents, and any expenses arising from actions taken to protect and preserve the Inventions.

6. NON-COMPETITION AND NON-SOLICITATION

The biotechnology industry is highly competitive and employees leaving the employ of the Company have the ability to cause significant damage to our interests if they join a competing company immediately upon leaving the Company. Accordingly we ask that the Executive execute the following non-competition and non-solicitation provision:

(a) Definitions:

"Business" or "Business of the Company" means:

researching, developing, production and marketing of RNA interference drugs and delivery technology, as such business grows and evolves during this Agreement; and

any other material business carried on from time to time by the Company or any Affiliate of the Company.

"Competing Business" means any endeavour, activity or business which is competitive in any material way with the Business of the Company worldwide.

"Customer" means any entity that is a customer of the Company that the Executive has been directly or indirectly, through his or her reports, involved in servicing on behalf of the Company.

"Prospective Customer" means any entity during the course of his or her employment was solicited by the Executive on behalf of the Company for the purposes of becoming a customer of the Company or was solicited by the Company with his or her knowledge for the purpose of becoming a customer of the Company.

(b) The Executive shall not, during the term of this Agreement and for the Restricted Period following the termination of his or her employment for whatever reason, whether legal or illegal, on his or her own behalf or on behalf of any entity, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any entity, carry on or be employed by or engaged in or have any financial or other interest in or be otherwise commercially involved in a Competing Business. In the event that the Executive is terminated pursuant to Section 8(b) of the Employment Agreement, the Restricted Period shall be equivalent to the amount of notice that the Executive is entitled pursuant to Section 8(b)(ii). In the event that the Executive's employment is terminated pursuant to a Change of Control, the Restricted Period shall be twelve (12) months.

(c) The Executive shall, however, not be in default of Section 6(b) by virtue of the Executive:

(i) following the termination of employment, holding, strictly for portfolio purposes and as a passive investor, no more than five percent (5%) of the issued and outstanding shares of, or any other interest in, any corporation or other entity that is a Competing Business; or

(ii) during the course of employment, holding, strictly for portfolio purposes and as a passive investor, no more than five percent (5%) of the issued and outstanding shares of, or any other interest in, any corporation or other entity, the business of which corporation or other entity is in the same Business as the Company, and provided further that the Executive first obtains the Company's written consent, which consent will not be unreasonably withheld.

(d) If the Executive holds issued and outstanding shares or any other interest in a corporation or other entity pursuant to Section 5(c) above, and following the acquisition of such shares or other interest the business of the corporation or other entity becomes a Competing Business, the Executive will promptly dispose of his or her shares or other interest in such corporation or other entity.

(e) The Executive shall not, during this Agreement and for the Restricted Period following the termination of his or her employment, for whatever reason, whether legal or illegal, for any reason, on his or her own behalf or on behalf of or in connection with any other entity, without the prior written and informed consent of the Company, directly or indirectly, in any capacity whatsoever, alone, through or in connection with any entity:

(i) canvass or solicit the business of (or procure or assist the canvassing or soliciting of the business of) any Customer or Prospective Customer of the Company, or otherwise solicit, induce or encourage any Customer or Prospective Customer of the Company to cease to engage the services of the Company, for any purpose which is competitive with the Business; or

(ii) accept (or procure or assist the acceptance of) any business from any Customer or Prospective Customer of the Company which business is competitive with the Business; or

(iii) supply (or procure or assist the supply of) any goods or services to any Customer or Prospective Customer of the Company for any purpose which is competitive with the Business; or

(iv) employ, engage, offer employment or engagement to or solicit the employment or engagement of or otherwise entice away from or solicit, induce or encourage to leave the employment or engagement of the Company, any individual who is employed or engaged by the Company whether or not such individual would commit any breach of his or her contract or terms of employment or engagement by leaving the employ or the engagement of the Company; or

(v) procure or assist any entity to employ, engage, offer employment or engagement or solicit the employment or engagement of any individual who is employed or engaged by the Company or otherwise entice away from the employment or engagement of the Company any such individual. Notwithstanding the foregoing, the Executive shall, be permitted to, solely in a personal capacity, provide letters of reference for individuals who are employed by the Company.

(f) The Executive expressly recognizes and acknowledges that it is the intent of the parties that his or her activities following the termination of his or her employment with the Company be restricted in the manner described in this Agreement, and acknowledge that good, valuable, and sufficient consideration has been provided in exchange for such restrictions. The Executive agrees that should any of the restrictions contained in this Agreement be found to be unreasonable to any extent by a court of competent jurisdiction adjudicating upon the validity of the restriction, whether as to the scope of the restriction, the area of the restriction or the duration of the restriction, then such restriction shall be reduced to that which is in fact declared reasonable by such court, or a subsequent court of

competent jurisdiction, requested to make such a declaration, in order to ensure that the intention of the parties is given the greatest possible effect.

7. INJUNCTIVE RELIEF

(a) The Executive understands and agrees that the Company has a material interest in preserving the relationships it has developed with its executives, customers and suppliers against impairment by competitive activities of a former executive. Accordingly, the Executive agrees that the restrictions and covenants contained in Paragraphs 4 through 6 above are reasonably required for the protection of the Company and its goodwill and that the Executive's agreement to those restrictions and covenants by the execution of this Agreement, are of the essence to this Agreement and constitute a material inducement to the Company to enter into this Agreement and to employ the Executive, and that the Company would not enter into this Agreement absent such an inducement.

(b) The Executive understands and acknowledges that if the Executive breaches Paragraphs 4 through 6 above, that breach will give rise to irreparable injury to the Company for which damages are an inadequate remedy, and the Company may pursue injunctive relief for such breach in the Supreme Court of British Columbia.

8. TERMINATION

(a) The Executive may terminate his employment by giving at least three months' advance notice in writing to the Company of the effective date of the resignation. The Company may waive such notice, in whole or in part, and if it does so, the Executive's employment will cease on the date set by the Company in the notice of waiver.

(b) The Company may terminate the Executive's employment:

(i) without notice or payment in lieu thereof, For Cause, and such cause for termination will constitute a waiver of the Executive's right to any minimum notice as well as to any payment or benefits instead of notice, or

(ii) at the Company's sole discretion for any reason, without cause, upon providing to the Executive an amount equal to six (6) months' Base Salary, (the "Severance Amount"), plus one additional month of Base Salary for each complete year of service with the Company, to a maximum of twelve (12) months Base Salary. The Company may pay the Severance Amount by way of a lump sum payment or by way of salary continuance. The Severance Amount is inclusive of any entitlement to minimum standard severance under the *B.C. Employment Standards Act*.

(c) If a Change of Control occurs and within twelve (12) months after the occurrence of a Change of Control, the Executive resigns his employment for Good Reason upon giving the Company not less than ninety days prior written notice of resignation; or at the Company's sole discretion, the Executive is terminated without cause within 12 months of a Change of Control, the Executive will be entitled to receive the Change of Control Severance Amount. Good Reason means one or more of the following events occurring without the Executive's written consent:

(i) a fundamental change in the Executive's status, position, remuneration, authority or responsibilities that does not represent a promotion from or represents an adverse change from the current status, position, authority or responsibilities;

(ii) a fundamental reduction in the base salary, retirement, health benefits, bonus potential or other compensation plans, practices, policies or programs provided to the Executive;

(iii) relocation of the Executive's principal place of employment to a place outside of Metro Vancouver;

(iv) any request by the Company that the Executive participates in an unlawful act pursuant to the laws of British Columbia or Canada; or

(v) any failure to secure the agreement of any successor company or other entity to the Company to fully assume the Company's obligations under this Agreement.

(d) The Change of Control Severance amount will be calculated as follows:

(i) an amount equal to twelve (12) month's Base Salary, plus;

(ii) a bonus payment equal to the average of the actual bonus payments made to the Executive from the previous three (3) calendar years preceding the date of termination of employment.

(e) No matter how the Executive's employment is terminated, the Executive will be entitled to any wages and bonus payable for service up to and including the day of termination.

9. RETURN OF MATERIALS UPON TERMINATION OF EMPLOYMENT

The Executive will return to the Company all Company documents, files, manuals, books, software, equipment, keys, equipment, identification or credit cards, and all other property belonging to Company upon the termination of his employment with the Company for any reason.

10. GENERAL PROVISIONS

(a) **Non-Waiver.** Failure on the part of either party to complain of any act or failure to act of the other of them or to declare the other party in default of this Agreement, irrespective of how long such failure continues, will not constitute a waiver by such party of their rights hereunder or of the right to then or subsequently declare a default.

(b) **Severability.** In the event that any provision or part of this Agreement is determined to be void or unenforceable in whole or in part, the remaining provisions, or parts thereof, will be and remain in full force and effect.

(c) **Entire Agreement.** This Agreement constitutes the entire agreement between the parties with respect to the employment of the Executive and supersedes any and all agreements, understandings, warranties or representations of any kind, written or oral, express or implied, including any relating to the nature of the position or its duration, and each of the parties releases and forever discharges the other of and from all manner of actions, causes of action, claim or demands whatsoever under or in respect of any agreement.

(d) **Survival.** The provisions of Paragraphs 4 through 6 above, and Sub-paragraph(f) below, will survive the termination of this Agreement.

(e) **Modification of Agreement.** Any modification of this Agreement must be in writing and signed by both the Company and the Executive or it will have no effect and will be void.

(f) **Disputes.** Except for disputes arising in respect of Paragraphs 4 through 6 above, all disputes arising out of or in connection with this Agreement and the employment relationship between the parties, are to be referred to and finally resolved by arbitration administered by the British Columbia International Commercial Arbitration Centre, pursuant to its Rules. The place of arbitration will be Vancouver, British Columbia.

(g) **Governing Law.** This Agreement will be governed by and construed according to the laws of the Province of British Columbia.

(h) **Reimbursement of Legal Fees.** The Company will reimburse the Executive for all reasonable and receipted legal fees incurred by the Executive in the negotiation, drafting, and completion of this Agreement.

(i) **Independent Legal Advice.** The Executive agrees that the contents, terms and effect of this Agreement have been explained to him by a lawyer and are fully understood. The Executive further agrees that the consideration described aforesaid is accepted voluntarily for the purpose of employment with the Company under the terms and conditions described above.

IN WITNESS WHEREOF this Agreement has been executed by the Parties hereto as of the date and year first above written.

SIGNED, SEALED AND DELIVERED by **PETER LUTWYCHE** in the presence of:	)	
/s/ STACY KONS	)	**/s/ PETER LUTWYCHE**
	)	**PETER LUTWYCHE**
Witness 8900 Glenlyon Parkway	)	
	)	
Address Burnaby, BC.	)	
	)	
Sr. Associate, HR	)	
Occupation	)	

TEKMIRA PHARMACEUTICALS CORPORATION

Per: /s/ MARK J. MURRAY
Mark J. Murray

APPENDIX "A"

List of Prior Inventions

Peter Lutwyche

Date

TEKMIRA PHARMACEUTICALS CORPORATION

SHARE OPTION PLAN

ARTICLE 1

PURPOSE AND INTERPRETATION

Purpose

1.1 The purpose of the plan will be to advance the interests of the Company by encouraging equity participation in the Company through the acquisition of Common Shares of the Company.

Definitions

1.2 In the Plan

Associate has the meaning assigned by the Securities Act;

Blackout Period means the period during which the relevant Optionee is prohibited from exercising an Option due to trading restrictions imposed by the Company in accordance with its securities trading policies governing trades by Directors, Officers and Employees in the Company's securities;

Board means the board of directors of the Company;

Change of Control means the acquisition by any person or by any person and its joint actors (as such term is defined in the Securities Act), whether directly or indirectly, of voting securities (as such term is defined in the Securities Act) of the Company which, when added to all other voting securities of the Company at the time held by such person and its joint actors, totals for the first time not less than 35% of the outstanding voting securities of the Company;

Code means the U.S. Internal Revenue Code of 1986, as amended;

Code Stock Option means an Option to purchase Common Shares with the intention that such Option qualify as an "incentive stock option" as that term is defined in Section 422 of the Code;

Common Shares means common shares without par value in the capital of the Company;

Company means Tekmira Pharmaceuticals Corporation;

Director means a director of the Company or any of its subsidiaries;

Employee means an individual who is an employee of the Company or of a subsidiary of the Company;

Expiry Date means the day on which an Option lapses as specified in the Option Commitment therefor;

Insider means

(a) an insider as defined in the Securities Act, other than a person who fits within that definition solely by virtue of being a director or senior officer of a subsidiary of the Company, and

(b) an Associate of any person who is an insider by virtue of §(a);

Officer means an individual who is an officer of the Company;

Option means the right to purchase Common Shares granted hereunder to a Service Provider;

Option Commitment means the notice of grant of an Option delivered by the Company hereunder to a Service Provider and substantially in the form of Schedule “B” or “C” hereto;

Option Effective Date for an Option means the date of grant thereof;

Optioned Shares means Common Shares subject to an Option;

Optionee means an individual to whom an Option is granted by the Company under the Plan;

Outstanding Issue means the number of Common Shares outstanding on a non-diluted basis, excluding shares issued pursuant to share compensation arrangements over the preceding one-year period;

Plan means the Share Option Plan, the terms of which are set out herein;

Regulatory Approval means the approval of the Toronto Stock Exchange and any other securities regulatory agency that may have jurisdiction in the circumstances;

Reserved for Issuance refers to Common Shares that may be issued in the future upon the exercise of stock options which have been granted;

Retired means

(a) with respect to an Officer or Employee, the retirement of the Officer or Employee within the meaning of the Canada Pension Plan, after attainment of age 65, and

(b) with respect to a Director, cessation of office as a Director, other than by reason of death, after attainment of age 70;

Securities Act means the Securities Act, R.S.B.C. 1996, c. 418, as amended from time to time;

Service Provider means

(a) an employee, officer, or director of the Company or of any of its subsidiaries, and

(b) subject to compliance with applicable securities laws, any other person or company engaged to provide directly or indirectly ongoing management consulting and other research or collaboration services to the Company or any of its subsidiaries;

Share Compensation Arrangement means the Plan described herein and any other stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of shares to one or more Service Providers, including a share purchase from treasury which is financially assisted by the Company by way of a loan, guaranty or otherwise;

Subscription Price means the amount payable per Common Share on the exercise of an Option, as determined in accordance with §3.1;

Subsidiary means subsidiary as determined under the *Business Corporations Act* (British Columbia);

Take Over Bid has the meaning assigned to that term in the Securities Act but excludes an exempt take over bid as determined under the Securities Act.

ARTICLE 2

SHARE OPTION PLAN

Establishment of Share Option Plan

2.1 There is hereby established a Share Option Plan to recognize contributions made by Service Providers and to create an incentive for their continuing relationship with the Company and its subsidiaries. Those share options or other share compensation granted by the Company prior to the adoption of this Plan are not included hereunder or affected hereby.

Eligibility

2.2 Options may be granted hereunder to all Service Providers.

Incorporation of Terms of Share Option Plan

2.3 Subject to specific variations approved by the Board, all terms and conditions set out herein will be incorporated into and form part of an Option granted hereunder.

Maximum Shares Reserved

2.4 The maximum aggregate number of Common Shares that are Reserved for Issuance under the Plan is 6,846,276 Common Shares.

2.5 In no event may the number of Common Shares Reserved for Issuance to any one person pursuant to an Option exceed 5% of the Outstanding Issue.

2.6 The maximum aggregate number of Common Shares that, under all Share Compensation Arrangements,

(a) may be Reserved for Issuance to Insiders of the Company, may not exceed 10% of the Outstanding Issue at that time,

(b) may be issued to Insiders within a one-year period, may not exceed 10% of the Outstanding Issue at that time,

(c) may be issued to any one Insider and his or her Associates within a one-year period, may not exceed 5% of the Outstanding Issue, and

(d) may be Reserved for Issuance to non-employee Directors, may not exceed 2% of the Outstanding Issue at that time.

2.7 For the purposes of §2.6,

(a) Common Shares issuable to an Insider pursuant to a stock option or other entitlement that was granted before the person became an Insider will be excluded in determining the number of Common Shares issuable to Insiders, and

(b) Common Shares issuable to a Director pursuant to a stock option or other entitlement that was granted

(i) before the person became a Director, or

(ii) while the Director was also an Officer,

will be excluded in determining the number of Common Shares issuable to Directors.

Shares Not Acquired

2.8 Any Common Shares not acquired under an Option granted under the Plan which has expired or been cancelled or terminated may be made the subject of a further Option pursuant to the provisions of the Plan.

Powers of the Board

2.9 The Board will be responsible for the general administration of the Plan and the proper execution of its provisions, the interpretation of the Plan and the determination of all

questions arising hereunder. Without limiting the generality of the foregoing, the Board has the power to

(a) allot Common Shares for issuance in connection with Options granted under the Plan,

(b) grant Options hereunder,

(c) subject to §§4.5, 4.6 and 4.7 and subject to Regulatory Approval or any shareholder approval required under law, amend, suspend, terminate or discontinue the Plan, or revoke or alter any action taken in connection therewith, except that no amendment or suspension of the Plan will, without the written consent of the affected Optionees, alter or impair any Option granted under the Plan, and

(d) delegate all or such portion of its powers hereunder as it may determine to one or more committees of the Board, either indefinitely or for such period of time as it may specify, and thereafter each such committee may exercise the powers and discharge the duties of the Board in respect of the Plan so delegated to the same extent as the Board is hereby authorized so to do.

Adjustments

2.10 The number of Common Shares subject to an Option will be subject to adjustment in the events and in the manner following:

(a) in the event that the Board determines that any dividend or other distribution (whether in the form of cash, Common Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, combination, issuance of warrants or other rights to purchase Common Shares or other securities of the Company to all holders of common shares *pro rata* whether as a dividend or otherwise or other similar corporate transaction or event affects the Common Shares such that an adjustment is determined by the Board to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Board will, in such manner as it may deem equitable, adjust any or all of:

(i) the number and type of Common Shares (or other securities or other property) that thereafter may be made the subject of Options,

(ii) the number and type of Common Shares (or other securities or other property) subject to outstanding Options, and

(iii) the purchase or exercise price with respect to any Option;

provided, however, that the number of Common Shares covered by any Option or to which such Option relates will always be a whole number,

(b) an adjustment will take effect at the time of the event giving rise to the adjustment, and the adjustments provided for in this Section are cumulative,

(c) the Company will not be required to issue fractional shares in satisfaction of its obligations hereunder. Any fractional interest in a Common Share that would, except for the provisions of this §2.10(c), be deliverable upon the exercise of an Option will be cancelled and not be deliverable by the Company, and

(d) if any questions arise at any time with respect to the Option price or number of Common Shares deliverable upon exercise of an Option in any of the events set out in this §2.10(d), such questions will be conclusively determined by the Company's Auditors, or, if they decline to so act, any other firm of Chartered Accountants, in Vancouver, British Columbia that the Company may designate and who will have access to all appropriate records and such determination will be binding upon the Company and all Optionees.

ARTICLE 3

SHARE OPTIONS

Subscription Price

3.1 The Subscription Price per Optioned Share will be the greater of:

(a) the closing price for the Common Shares on the Toronto Stock Exchange on the last trading day before the date of grant of the Option;

(b) if the Board determines that the Subscription Price determined in §(a) is not a representative price, the weighted average of the trading prices for the Common Shares on the five trading days before the date of grant of the Option;

(c) if not listed on the Toronto Stock Exchange then as calculated in §(a) and §(b) above by reference to the price on any other stock exchange on which the Common Shares are listed (if more than one, then using the exchange on which a majority of Common Shares are traded); or

(d) if the Common Shares are not listed on a stock exchange then the price determined by the directors using good faith discretion.

Term of Option

3.2 Except as described in this §3.2, the term of an Option will be such period after the Option Effective Date of the Option, not exceeding 10 years, as the Board determines at the time of granting of the Option. If the Expiry Date for an Option occurs during a Blackout Period applicable to the relevant Optionee, or within five business days after the expiry of a Blackout Period applicable to the relevant Optionee, then the Expiry Date for that Option will be the date that is the tenth business day after the expiry date of the Blackout Period.

Vesting of Option Rights

3.3 Options granted at a particular time may be exercised only

(a) after the Option Commitment is received by the Optionee from the Chief Financial Officer of the Company, and

(b) so that the total number of such Options that are and have been exercised does not at any time exceed that proportion of the number of Options so granted that

(i) the number of calendar months that have elapsed after the end of the month in which such Options were granted

is of

(ii) 48.

Variation of Vesting Periods

3.4 If the Board determines with respect to an Optionee that it is desirable to grant to the Optionee an Option for which the vesting of rights should be other than as provided in §3.3 or that it is desirable to alter the vesting periods of any particular Option, it may fix the vesting of that Option before or after its grant in such manner as it determines in its discretion.

3.5 In the event of a Change of Control or Take Over Bid, in its discretion the Board may provide in the case of a particular Optionee that the Options held by that Optionee may be exercised by the Optionee in full or in part at any time before the applicable vesting period for those Options.

Limitation on Right to Exercise

3.6 No Option may be exercised after the Optionee, if a Director has ceased to be a Director or if an Employee or other Service Provider has left the employ or service of the Company, except as follows:

(a) in the case of death of an Optionee, all unvested rights of the Optionee under the Option will be deemed to have become fully vested immediately before the time of such Optionee's death, and the personal representatives of the Optionee will be entitled to exercise the Option at any time by the earlier of (i) the Expiry Date of the Option, and (ii) the first anniversary of the date on which the Optionee died;

(b) in the case of an Optionee retiring, all unvested option rights will be deemed to have become fully vested immediately before the time that the Optionee Retired, and the Options held by the Optionee will be exercisable by the earlier of (i) the Expiry Date of the Options, or (ii) the first anniversary of the date on which the Optionee Retired;

(c) in the case of an Optionee becoming unable to work due to illness, injury or disability whether or not such Optionee is entitled to or in receipt of disability benefits, all option rights will vest, and the Options held by the Optionee will be exercisable, on the same terms as if the Optionee had continued to be a Service Provider;

(d) in the case of an Optionee resigning his office, or terminating his employment or service, or being dismissed without cause, the option rights that have accrued to such Optionee up to the time of termination will be exercisable within the 30 days after the date of termination; and

(e) in the case of an Optionee being dismissed from office, employment or service for cause, the Option and all option rights that had accrued to the Optionee to the date of termination will immediately terminate;

but provided that in no event may the term of the Option exceed 10 years. Notwithstanding the provisions of §(d), in its discretion and subject to the receipt of any required Regulatory Approval, the Board may extend the time period for exercise of an Option in the circumstances set out in §(d) and may also permit the option to be exercised in respect of any Options that vest during any agreed upon severance period.

Non-Assignable

3.7 Subject to §3.6(a) or as permitted by applicable regulatory authorities in connection with a transfer to a registered retirement savings plan or registered retirement income fund established by or for the Optionee or under which the Optionee is the beneficiary, an Option may be exercisable only by the Optionee to whom it is granted and will not be assignable.

Eligible Employees

3.8 Individuals who are not Employees of the Company or one of its subsidiary corporations may not be granted Code Stock Options. For purposes of this §3.8, “subsidiary corporation” will have the meaning attributed to that term for purposes of Section 422 of the Code.

Option Commitment

3.9 Upon grant of an Option hereunder, the Chief Financial Officer of the Company will deliver to the Service Provider an Option Commitment detailing the terms of his Option and upon such delivery the Service Provider will be an Optionee in the Plan and have the right to purchase the Optioned Shares at the Subscription Price set out therein.

Manner of Exercise

3.10 An Optionee who wishes to exercise his Option may do so by delivering

(a) a written notice to the Company specifying the number of Optioned Shares being acquired pursuant to the Option, and

(b) cash or a certified cheque payable to the Company for the aggregate Subscription Price for the Optioned Shares being acquired.

Delivery of Certificate

3.11 Not later than five days after receipt of the notice of exercise and payment in full for the Optioned Shares being acquired, the Company will direct its transfer agent to issue a certificate to the Optionee for the appropriate number of Optioned Shares.

ARTICLE 4

GENERAL

Transferability

4.1 The benefits, rights and options accruing to any Optionee under the Plan will not be transferable by an Optionee other than in the manner provided for in the Plan. During the lifetime of an Optionee, all benefits, rights and options may only be exercised by the Optionee or by his guardian or legal representative.

Employment and Services

4.2 Nothing contained in the Plan will confer upon any Optionee any right with respect to employment or provision of services with the Company or a Subsidiary, or interfere in any way with the right of the Company or a Subsidiary to terminate the Optionee's employment or service at any time. Participation in the Plan by an Optionee will be voluntary.

No Representation or Warranty

4.3 The Company makes no representation or warranty as to the future market value of Common Shares issued in accordance with the provisions of the Plan.

Interpretation

4.4 The Plan will be governed and construed in accordance with the laws of the Province of British Columbia.

Amendment of the Plan

4.5 Subject to any specific limitations contained in the Plan, the Board reserves the right, in its absolute discretion, to at any time amend, modify or terminate the Plan.

4.6 Notwithstanding §4.5, the Board may not, without approval of the holders of a majority of the issued and outstanding equity securities of the Company present and voting in person or by proxy at a meeting of holders of such securities, amend the Plan or an Option to:

(a) increase the number of Common Shares reserved for issuance under the Plan;

(b) make any amendment that would reduce the Subscription Price of an outstanding Option (including a cancellation and reissue of an Option at a reduced Subscription Price);

(c) amend or delete §3.2 to extend the term of any Option beyond the Expiry Date of the Option or, except as already contemplated under §3.2, allow for the Expiry Date of an Option to be greater than 10 years;

(d) permit assignments, or exercises other than by the Optionee, of Options beyond that contemplated by §3.6, except for an amendment that would permit the assignment of an Option for estate planning or estate settlement purposes;

(e) amend the Plan to provide for other types of compensation through equity issuance, unless the change to the Plan or an Option results from the application of §2.10; and

(f) amend or delete §2.6(d).

4.7 Without limiting the generality of §4.5, the Board may make the following amendments to the Plan without obtaining shareholder approval:

(a) amendments to the terms and conditions of the Plan necessary to ensure that the Plan complies with the applicable regulatory requirements, including without limitation the rules of the Toronto Stock Exchange or any national securities exchange or system on which the Common Shares are then listed or reported, or by any regulatory body having jurisdiction with respect thereto;

(b) making adjustments to outstanding Options in the event of certain corporate transactions;

(c) the addition of a cashless exercise feature, payable in cash or securities, whether or not such feature provides for a full deduction of the number of underlying securities from the Plan reserve;

(d) a change to the termination provisions of a security or the Plan which does not entail an extension beyond the original Expiry Date;

(e) amendments to the provisions of the Plan respecting administration of the Plan and eligibility for participation under the Plan;

(f) amendments to the provisions of the Plan respecting the terms and conditions on which options may be granted pursuant to the Plan, including the provisions relating to the Subscription Price, the option period, and the vesting schedule; and

(g) amendments to the Plan that are of a “housekeeping nature”.

4.8 In addition, in connection with Code Stock Options granted under the Plan, the Board will obtain shareholder approval of a Plan amendment to the extent required by Section

422 of the Code, and any change or adjustment to an outstanding Code Stock Option will not, without the consent of the Optionee, be made in such a manner so as to constitute a “modification” that would cause such Incentive Stock Option to fail to qualify as an Incentive Stock Option.

No Shareholder Rights

4.9 Neither an Optionee nor the Optionee’s legal representative will be, or have any of the rights and privileges of, a shareholder of the Company with respect to any Common Shares issuable to such Optionee upon the exercise or payment of any Option, in whole or in part, unless and until such Common Shares have been issued in the name of such Optionee or such Optionee’s legal representative without restrictions thereto.

No Rights to Options

4.10 No Service Provider, Optionee or other Person will have any claim to be granted any Option under the Plan, and there is no obligation for uniformity of treatment of Service Providers, Optionees or holders or beneficiaries of Options under the Plan. The terms and conditions of Options need not be the same with respect to any Optionee or with respect to different Optionees.

Compliance with Rules and Laws

4.11 The Company will not be required to issue any Common Shares under the Plan unless such issuance is in compliance with all applicable laws, regulations, rules, orders of governmental or regulatory authorities and the requirements of any stock exchange upon which Common Shares of the Company are listed. The Company will not in any event be obligated to take any action to comply with any such laws, regulations, rules, orders or requirements.

Adoption and Amendment of Plan

4.12 This Plan was adopted on April 18, 2007 and amended on June 20, 2007, May 28, 2008 and May 12, 2009.

ARTICLE 5

RESIDENTS OF CALIFORNIA

5.1 Persons who are residents of the State of California will be subject to the additional terms and conditions set forth on Schedule “A” to the Plan.

SCHEDULE "A"

PROVISIONS APPLICABLE TO RESIDENTS OF CALIFORNIA

This schedule "A" will have application only to optionees who are residents of the State of California on the date of grant of a stock option and only so long as the holder of such stock option remains a resident of the State of California. **Notwithstanding any provision contained in the Plan to the contrary, the following terms and conditions will apply to any options granted under the Plan to residents of California, to the extent stated above and required by applicable law:**

1. Stock options will have an exercise price which is not less than 100% of the fair value of the stock at the time the option is granted, as determined by the Board, except that the exercise price will be 110% of the fair value in the case of any person who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or its parent or subsidiary corporations.

2. To the extent required by applicable law, options will become exercisable at the rate of at least 20% per year over five years from the date the option is granted. However, in the case of an option granted to officers, directors or consultants of the Company of its parent or subsidiary corporations, the option may become fully exercisable, subject to reasonable restrictions such as continued employment, at any time or during any period established by the Company.

3. Unless employment is terminated for cause as defined by applicable law, the terms of the Plan or option grant or contract of employment, the right to exercise an option in the event of termination of employment, to the extent that the optionee is otherwise entitled to exercise on the date employment terminates, will be:

(a) six months from the date of termination if termination was caused by death or disability; and

(b) at least 30 days from the date of termination if termination was caused by other than death or disability;

but in no event will be later than six months from the date of termination as provided in §3.4 of the Plan.

4. No option will be granted to a resident of California more than ten years after the earlier of the date of adoption of the Plan and the date the plan is approved by the shareholders.

5. Shareholder will approve the Plan within 12 months before or after the date the Plan is adopted. Any option exercised before shareholder approval is obtained must be rescinded if shareholder approval is not obtained within 12 months before or after the Plan is adopted. Such shares will not be counted in determining whether such approval is obtained.

6. The Company will provide annual financial statements of the Company is each California resident holding an outstanding option under the Plan as required by Section 260.140.46 of Title 10, California Code of Regulations.

SCHEDULE "B"

SHARE OPTION PLAN

OPTION COMMITMENT

Notice is hereby given that, effective this __ day of _____, 20__ (the "Effective Date") Tekmira Pharmaceuticals Corporation (the "Company") has granted to _____, an Option to acquire _____ Common Shares ("Optioned Shares") up to 5:00 p.m. Vancouver Time on the __ day of _____, 20__ (the "Expiry Date") at a Subscription Price of Cdn. $_____ per share.

Optioned Shares may be acquired as follows:

_____ IN ACCORDANCE WITH THE VESTING PROVISIONS SET OUT IN THE PLAN

or

_____ AS FOLLOWS

The grant of the Option evidenced hereby is made subject to the terms and conditions of the Company's Share Option Plan, the terms and conditions of which are hereby incorporated herein.

To exercise your Option, deliver a written notice specifying the number of Optioned Shares you wish to acquire, together with cash or a certified cheque payable to the Company for the aggregate Subscription Price, to the Company. A certificate for the Optioned Shares so acquired will be issued by the transfer agent as soon as practicable thereafter.

TEKMIRA PHARMACEUTICALS CORPORATION

_____

Chief Financial Officer

SCHEDULE “C”

SHARE OPTION PLAN

OPTION COMMITMENT

CODE STOCK OPTIONS

Notice is hereby given that, effective this __ day of _____, 20__ (the “Effective Date”) Tekmira Pharmaceuticals Corporation (the “Company”) has granted to _____, a Code Stock Option to acquire _____ Common Shares (“Optioned Shares”) up to 5:00 p.m. Vancouver Time on the __day of _____, 20__ (the “Expiry Date”) at a Subscription Price of Cdn. $ _____ per share.

The grant of the Option evidenced hereby is made subject to the terms and conditions of the Company’s Share Option Plan (the “Plan”), the terms and conditions of which are hereby incorporated herein. If the Plan has not been or is not approved by the shareholders of the Company within 12 months before or after the adoption of the Plan, this Option will be invalid as a Code Stock Option.

Vesting: Optioned Shares may be acquired as follows:

__ IN ACCORDANCE WITH THE VESTING PROVISIONS SET OUT IN THE PLAN

or

__ AS FOLLOWS

Term

The term of this Option is __ years from the date of grant, unless sooner terminated.

ISO Qualification

To the extent that the aggregate Subscription Price of the shares with respect to which this Option is exercisable for the first time by you during any calendar year (under this Option and all other Code Stock Options you hold) exceeds $100,000, the excess portion will be treated as an Option which does not qualify as a Code Stock Option unless the Internal Revenue Service changes the rules and regulations governing the $100,000 limit for incentive stock options. In the event the Optionee holds two or more such Options that become exercisable for the first time in the same calendar year, such limitation will be applied on the basis of the order in which such Options are granted.

Termination

Unless otherwise determined by the Board in its discretion, this Option will terminate immediately upon termination for cause or 30 days after cessation of employment with the Company or a related corporation, but in each case not later than the remaining term of this Option. Unless the Board determines otherwise, this Option will also terminate upon the earlier of 6 months after death or the expiration of the remaining term of this Option. However, to qualify for the beneficial tax treatment given Code Stock Options, this Option must in all cases be exercised within three months after termination of employment for reasons other than death or total disability and one year after termination of employment due to total disability and before the expiration date by the personal representatives, heirs or legatees of the deceased Optionee in the case of termination due to death.

Employment will be deemed to not continue beyond the first 90 days of a leave of absence unless the Optionee's re-employment rights are guaranteed by statute or contract. For purposes of this section, "total disability" means a mental or physical impairment of the Optionee that is expected to result in death or that has lasted or is expected to last for a continuous period of 12 months or more and that causes the Optionee to be unable, in the Company's opinion, to perform his or her duties for the company and to be engaged in any substantial gainful activity. Total disability will be deemed to have occurred on the first day after the Company and two independent physicians have furnished their opinion of total disability to the Board.

Exercise

During your lifetime only you can exercise this Option. The Plan also provides for exercise of this Option by the personal representative of your estate or the beneficiary thereof following your death.

10% Shareholders

If an individual owns more than 10% of the total voting power of all classes of the Company's stock, the exercise price per share of a Code Stock Option will not be less than 110% of the Subscription Price of the Common Shares on the Effective Date and the Option term will not exceed five years. The determination of 10% ownership will be made in accordance with Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

Payment for Shares

This Option may be exercised by the delivery of cash or a certified cheque payable to the Company for the aggregate Subscription Price for the shares being acquired.

Withholding Taxes

As a condition to the exercise of any portion of this Option which does not qualify as a Code Stock Option, you may be requested to make such arrangements as the Company may require for the satisfaction of any federal, state or local withholding tax obligations that may arise in connection with such exercise. The Company will have the right to retain without notice sufficient shares of stock to satisfy the withholding obligation by electing to have the Company

or related corporation withhold from the shares to be issued upon exercise that number of shares having a fair market value equal to the amount required to be withheld.

Transfer of Option

This Option is not transferable except by will or by the applicable laws of descent and distribution.

Holding Periods

If an individual subject to Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act") sells Optioned Shares obtained upon the exercise of a Code Stock Option within 6 months after the Effective Date, such sale may result in short swing profit recovery under Section 16(b) of the Exchange Act.

In order to obtain certain tax benefits afforded to Code Stock Options under Section 422 of the Code, as amended, you must hold the shares issued upon the exercise of a Code Stock Option for two years after the date of grant of this Option and one year from the date of exercise. You may be subject to the alternative minimum tax at the time of exercise. The Board may require an Optionee to give the Company prompt notice of any disposition of shares acquired by the exercise of a Code Stock Option prior to the expiration of such holding periods.

You should obtain tax advice when exercising any Option and prior to the disposition of the shares issued upon the exercise of any Option.

Registration

If you are a resident of the United States, the Optioned Shares issued upon the exercise of this Option will be acquired in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Act"), pursuant to Section 3(b) and Rule 701 thereof, and you hereby represent that:

(a) you believe, either alone or with the assistance of professional advisors, that you have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the purchase of the Optioned Shares;

(b) you possess sufficient financial resources to be able to bear the risk of investment in the Optioned Shares;

(c) you will be acquiring the Optioned Shares for investment purposes only and without a current intention of reselling or redistributing the same upon the occurrence or non-occurrence of a predetermined event and understand that the Optioned Shares have not been, and may never be, registered under the Act and, therefore, cannot be sold unless subsequently registered under the Act or an exemption from registration is available;

(d) you have spoken or met with, or been given reasonable opportunity to speak with or meet with, representatives of the Company for the purpose of asking questions

of, and receiving answers and information from, such representatives concerning your investment in the Optioned Shares; and

(e) you understand that the Company will rely upon the representations set forth herein to claim exempt status under the Act.

To exercise your Option, deliver a written notice specifying the number of Optioned Shares you wish to acquire, together with cash or a certified cheque payable to the Company for the aggregate Subscription Price, to the Company. A certificate for the Optioned Shares so acquired will be issued by the transfer agent as soon as practicable thereafter.

Please execute the Acceptance and Acknowledgement set forth below on the enclosed copy of this Option Commitment and return it to the undersigned.

ACCEPTANCE AND ACKNOWLEDGEMENT

I, a resident of the State of _____, accept the code stock option described above and in Tekmira Pharmaceuticals Corporation's Share Option Plan (the "Plan"), and acknowledge receipt of a copy of this Option Commitment and a copy of the Plan. I have read and understand the Plan.

Dated: _____

_____
(Name)

Address _____

_____

_____
Taxpayer I.D. Number

By his or her signature below, the spouse of the Optionee, if such Optionee is legally married as of the date of his or her execution of this Agreement, acknowledges that he or she has read this Option Commitment and the Plan and is familiar with the terms and provisions thereof, and agrees to be bound by all the terms and conditions of this Option Commitment and the Plan.

Date: _____

_____
Spouse's Signature

_____
Printed Name

By his or her signature below, the Optionee represents that he or she is not legally married as of the date of execution of this Option Commitment.

Date: _____

_____
Optionee's Signature

NOTICE OF EXERCISE OF CODE STOCK OPTION

To:_____

I, a resident of the State of _____ hereby exercise my Code Stock Option granted by Tekmira Pharmaceuticals Corporation (the "Company") on _____, 20__, subject to all the terms and provisions thereof and of the Share Option Plan (the "Plan"), referred to therein and notify the Company of my desire to purchase __ shares of Common Shares of the Company (the "Securities") at the subscription price of Cdn. $____ per share which were offered to me pursuant to said Option.

I hereby represent and warrant that:

(a) I have been furnished with a copy of the Plan and all information which I deem necessary to evaluate the merits and risks of the purchase of the Securities;

(b) I have had the opportunity to ask questions and receive answers concerning the information received about the Securities and the Company; and

(c) I have been given the opportunity to obtain any additional information I deem necessary to verify the accuracy of any information obtained concerning the Securities and the Company.

I am aware that the Securities have not been registered under the Federal Securities Act of 1933 (the "Act") or any state securities laws, pursuant to exemptions(s) from registration. I understand that the reliance by the Company on such exemption(s) is predicated in part upon the truth and accuracy of the statements by me in this Notice of Exercise.

I hereby represent and warrant that I am purchasing the Securities for my own personal account for investment and not with a view to the sale or distribution of all or any part of the Securities.

I understand that because the Securities have not been registered under the Act, I must continue to bear the economic risk of the investment of an indefinite time and the Securities cannot be sold unless the Securities are subsequently registered or an exemption from registration is available.

I agree that I will in no event sell or distribute all or any part of the Securities unless:

(d) there is an effective registration statement under the Act and applicable state securities laws covering any such transaction involving the Securities; or

(e) the Company receives an opinion of my legal counsel (concurred in by legal counsel for the Company) stating that such transaction is exempt from registration or the Company otherwise satisfies itself that such transaction is exempt from registration.

I consent to the placing of a legend on my certificate(s) for the Securities stating that the Securities have not been registered and setting forth the restriction on transfer contemplated

hereby and to the placing of a stop transfer order on the books of the Company and with any transfer agents against the Securities until the Securities may be legally resold or distributed.

I understand that at the present time Rule 144 of the Securities and Exchange Commission (the “SEC”) may not be relied on for the resale or distribution of the Securities by me. I understand that the Company has no obligation to me to register the Securities with the SEC and has not represented to me that it will register the Securities.

I am advised, prior to my purchase of the Securities, that neither the offering of the Securities nor any offering materials have been reviewed by any administrator under the Act or any other applicable Securities Act (the “Acts”) and that the Securities have not been registered under any of the Acts and therefore cannot be resold unless they are registered under the Acts or unless an exemption from such registration is available.

Name

Date

Address

Taxpayer I.D. Number

RECEIPT

_____ hereby acknowledges receipt from _____ in payment for __ shares of Common Shares of Tekmira Pharmaceuticals Corporation, a _____ corporation of _____ in the form of cash.

Cash

Certified Cheque

Date: _____ _____

FMV on such date: _____ For: _____

LEASE

Canada Lands Company CLC Limited

Inex Pharmaceuticals Corporation

GLEN LYON Business Park

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LEASE

By this Agreement dated the ____ day of _____, 199__

CANADA LANDS COMPANY CLC LIMITED, as **LANDLORD**, upon and In consideration of the covenants, terms, and conditions contained in this LEASE, hereby demises and leases to **INEX PHARMACEUTICALS CORPORATION**, as TENANT, those PREMISES shown outlined in red on Schedule 1A attached hereto, located in the **BUILDING** constructed (or being constructed) on the **LAND**.

The LAND is agreed to contain a total area of approximately 2.7 acres (approximately 10,926 square metres) and is legally described as:

PID: **[PID to be inserted]**
[Legal description to be inserted]

The **PREMISES** are agreed to contain a Rentable Area of approximately 34,400 square feet (approximately 3,196 square metres).

The **BUILDING** is agreed to contain a Rentable Area of approximately 49,400 square feet (approximately 4,589 square metres).

For a **TERM** of 15 years (or otherwise as provided in this Lease).

From a **COMMENCEMENT DATE** of October 15, 1997 and expiring on October 14, 2012 (unless the Commencement Date is delayed pursuant to the provisions hereof).

For an **ANNUAL RENT** equal to the product of $14.25 multiplied by the Rentable Area of the Premises (such amount to be $490,200 if the Rentable Area of the Premises is 34,400 square feet) during the first ten years of the **TERM** with review and adjustment on or about the commencement of the first year of the **TERM** as set out in Section 1.6 hereof and at the end of the tenth year of the **TERM** as set out in Section 2.1(b) hereof and other payments in accordance with this **LEASE.**

Use of Premises

For a pharmaceutical business of Tenant. Tenant shall not carry on business from the Premises other than with a name employing the name “Inex Pharmaceuticals” including names of companies affiliated with Tenant, without the prior written consent of Landlord, such consent not to be unreasonably withheld.

The following appendices are attached to and form part of this Lease:

Schedule 1A - Plan of Premises

Schedule 1B - Plan of Land

Schedule 1C - Sketch Plan of Reserved Parking Stalls

Schedule 2 - Project Supplement with definitions

Schedule 3 - Copy of Offer to Lease.

ARTICLE 1
GRANT OF LEASE

1.1 Demise. Landlord leases the Premises to Tenant, and Tenant leases the Premises from Landlord, to have and to hold during the Term, subject to the provisions hereof.

1.2 Covenants. Landlord covenants to keep, observe and perform all of the terms and conditions to be kept, observed and performed by Landlord under this Lease. Tenant covenants to pay the Rent when due, and to keep, observe and perform all of the terms and conditions to be kept, observed and performed by Tenant under this Lease.

1.3 Quiet Enjoyment. Provided Tenant pays the Rent when due and keeps, observes and performs all of the terms and conditions to be kept and observed and performed by Tenant under this Lease, Tenant may peaceably possess and enjoy the Premises during the Term, without any interruption or disturbance from Landlord or any person or persons lawfully claiming by, from or under Landlord.

1.4 Use of Common Areas. Tenant, its employees, customers, invitees and others requiring communication with Tenant in connection with the operation of its business shall have the use in common with others entitled thereto of the:

(a) Common Areas of the Building and Land, provided that the Common Areas of the Building and Land shall at all times be subject to the exclusive control of Landlord, reasonably exercised; and

(b) Common Areas of the Project, to the full extent of Landlord’s rights thereto under all applicable documents and rules and subject to any restrictions or limitations thereunder.

1.5 Use of Premises. The Premises shall be used and occupied for the use and purpose identified on page 1 of this Lease, or for such other purpose as Landlord may specifically authorize in writing.

1.6 Area of Building. The Total Area of the Land, the Rentable Area of the Premises and the Rentable Area of the Building are agreed to be as stated on page 1 of this Lease. Tenant understands and agrees that Landlord may recalculate these areas from time to time, and will recalculate them when the Building is sufficiently completed, and that upon any such recalculation being made, the Annual Rent, Building Share and Project Share shall be recalculated.

1.7 Consent. Unless otherwise provided, whenever consent or approval of Landlord or Tenant is required under the provisions of this Lease, such consent or approval shall not be unreasonably withheld or delayed.

1.8 Compliance with Laws. Tenant shall, at all times, use and occupy the Premises in accordance and compliance with all laws, by-laws, regulations, directions and orders of every governmental authority having jurisdiction and with all requirements of the insurers of the Project, their advisory organizations, and Tenant's insurers, and shall not commit, suffer or permit any act or omission which shall breach any thereof. Subject to such approvals of Landlord as are required pursuant to this Lease, Tenant shall forthwith and at its own expense make any changes required from time to time by any such governmental authority, insurer, or insurers' advisory organization if the requirement arises from Tenant's use of or activities at the Premises or the nature of Tenant's business. The foregoing provisions of this Section 1.8 notwithstanding, Tenant's covenant to comply with all requirements of insurers shall be limited to circumstances in which the Tenant's failure to comply with any requirement would result in cancellation of any Insurance coverage or an increase in any insurance premium, and shall be satisfied by Tenant's payment of such increased premiums. Nothing herein shall be construed to affect Tenant's obligations to pay a share of Building Costs or Project Costs in connection with work performed by Landlord or others as required from time to time by any such governmental authority, insurer, or insurers' advisory organization.

1.9 Waste and Nuisance.

(a) Tenant shall not commit or permit any waste, including waste as it is defined in the Waste Management Act, S.B.C. 1979 c.41, as amended from time to time, to be brought upon, kept, or used in or about the Premises, the Building, or the Project by Tenant, its agents, employees, contractors or invitees, without the prior written consent of Landlord.

(b) Tenant shall not commit or permit any damage to the Premises, the Building, or the Project, including the Leasehold improvements and trade fixtures therein.

(c) Tenant shall not commit or permit any nuisance in or around the Premises, the Building, or the Project or any use or manner of use causing annoyance to other persons.

(d) Except only as may be otherwise permitted under Subsection 1.9(h) below, Tenant shall not use or permit to be used any part of the Premises, the Building, or the Project for any trade or business which is, in the reasonable opinion of Landlord, dangerous, noxious or offensive.

(e) Except only as may be otherwise permitted under Subsection 1.9(h) below, Tenant shall not cause or suffer or permit any waste, oil or grease or any harmful, objectionable, dangerous, poisonous or explosive matter or substance to be discharged into the Premises, the Building, or the Project.

(f) Tenant shall not place any objects on or otherwise howsoever obstruct the heating or air conditioning vents within the Premises or the Building.

(g) Tenant shall keep the Premises free of debris, anything which could create a fire hazard (through undue load on electrical circuits or otherwise) or cause undue vibration, heat or noise.

(h) Except as necessary to the ordinary operation of Tenant's business conducted in compliance with all applicable laws, rules and regulations, Tenant shall keep the Premises free of rodents, vermin and anything of a dangerous, noxious or offensive nature. Tenant shall at all times keep Landlord informed of the presence in the Premises of any rodents or vermin or anything of a dangerous, noxious or offensive nature necessary to the ordinary operation of Tenant's business conducted in compliance with all applicable laws, rules and regulations, and Tenant shall ensure that they are at all times confined within the Premises, stored and used in compliance with all applicable laws, rules and regulations, and do not cause any nuisance or annoyance to other persons.

1.10 Occupancy. INTENTIONALLY DELETED

1.11 Abandonment. INTENTIONALLY DELETED

1.12 Term. The Term shall commence on October 15, 1997 (the "Commencement Date") (unless the Commencement Date is delayed pursuant to the provisions hereof) and shall continue for a period of 15 years from and after the Commencement Date, unless earlier terminated by the Tenant under Section 14.1, renewed by the Tenant under Section 14.2 or 14.3, or otherwise earlier terminated hereunder.

1.13 Parking. At no additional cost to Tenant beyond the Rent provided for hereunder, Landlord shall make available to Tenant throughout the Term a number of parking stalls, located in the parking area of the Building, equal to the greater of:

(a) the quotient of Rentable Area of the Premises divided by 300; and

(b) the product of Building Share multiplied by the total number of parking stalls in the parking area of the Building.

The foregoing notwithstanding, Landlord will in no event be obligated to make available to Tenant more than the total number of parking stalls located in the parking area of the Building if the total number is at least 153. Among the parking stalls made available to Tenant as provided in this Section 1.13 shall be 15 reserved parking stalls located as outlined on the sketch plan attached hereto as Schedule 1 C. Landlord shall not be responsible for supervising or policing any of the parking stalls made available to Tenant. Tenant shall use the parking stalls made available to it only for parking by its employees, agents and invitees, only in a manner suitable for parking stalls in a first class building similar to the Building, and only in conformity with any rules and regulations made hereunder, and shall not permit or suffer any other use of the parking stalls.

ARTICLE 2
RENT

2.1 Payment for Rent.

(a) Except as may be otherwise be explicitly provided herein, Tenant acknowledges and agrees that the Annual Rent shall be completely triple net to Landlord, that the Landlord shall not be responsible for any costs, charges, expenses or outlays of any nature

whatsoever arising from or relating to the Premises, the Building, or the Project, and Tenant shall, to the complete indemnification of Landlord, pay all costs for the Premises, Building Share of Building Costs, Project Share of Project Costs and Other Charges as provided in this Lease;

(b) Unless this Lease has then been terminated pursuant to its terms, the Annual Rent during the 11th to 15th years of the Term, inclusive, shall be the greater of:

(i) the effective fair market rent for the Premises as of the commencement of the 11th year of the Term, when compared to premises of similar size, quality and location In office buildings of a similar size, quality and location in the Greater Vancouver Regional District (but excluding any consideration for the Special Tenant Improvements); and

(ii) the Annual Rent during the 10th year of the Term.

The effective fair market rent referred to above shall be determined by mutual agreement of the parties, or, failing agreement thereon prior to the date 10 months before the conclusion of the 10th year of the Term, by arbitration under the Commercial Arbitration Act of British Columbia, if the matter is being determined by arbitration but has not been determined at the commencement of the 11th year of the Term, Tenant shall continue to pay, when due, the instalments of Annual Rent payable during the 10th year of the Term, together with all other payments which comprise Rent, and Tenant shall pay the deficiency (if any) without interest within 10 days of the adjusted Annual Rent being agreed or determined;

(c) All amounts payable by Tenant to Landlord under this Lease (without limitation, including Building Share of Building Costs, Project Share of Project Costs and Other Charges) shall constitute and be deemed to be Rent and shall be payable and recoverable as Rent, and shall be payable, when due, in legal tender of Canada, without abatement, deduction or rights of set-off, and without demand or, where so specified, upon notice or invoice, at such place as Landlord from time to time may designate, and Landlord shall have all rights against Tenant for default in any payment as in the case of arrears of Annual Rent. Tenant’s obligation to pay Rent shall survive the expiration or earlier termination of this Lease, until fully discharged; and

(d) Tenant shall make payments required under this Lease within the period of time specified, or if a time period is not specified, within a reasonable period of time.

2.2 Early Occupancy. INTENTIONALLY DELETED

2.3 Delayed Occupancy.

(a) Landlord and Tenant will use reasonable efforts to work jointly to ensure that the Landlord’s Improvements and Tenant’s Improvements are completed in the most efficient and expeditious manner.

(b) Landlord will endeavour to have the Building sufficiently constructed by June 9, 1997 so that it is sufficiently watertight and complete to permit commencement of construction of tenant improvement architectural trade installations and finishes and to allow a continuity of construction from then on. If the Building is not in such condition by June 9, 1997,

then anything to the contrary In this Lease notwithstanding, the Commencement Date will be delayed one day for each day after June 9, 1997 until Landlord achieves such condition. This subsection (b) supersedes Section 10.1(c) of the Offer to Lease which shall hereafter be of no force or effect.

(c) if, after Landlord's construction of the Building to the condition referred to in subsection (b) above and before the Commencement Date, Landlord's construction of Landlord's improvements is delayed by force majeure as described in paragraph 13.1 herein, as a direct result of such delay Tenant's completion of Tenant's Improvements is delayed beyond the Commencement Date, then anything to the contrary in this Lease notwithstanding, the Commencement Date will be delayed one day for each day that Tenant is so delayed.

2.4 Payment of Annual Rent. Annual Rent shall be paid to Landlord In equal monthly installments payable in advance on the first day of each calendar month, with the first instalment (prorated to cover the number of days then remaining in the calendar month) to be paid on the Commencement Date (and the last instalment to be prorated to cover the number of days then remaining in the Term). The Deposit, as such term is defined In the Offer to Lease, shall be applied as provided in the Offer to Lease.

2.5 Payment of Operating Costs.

(a) Tenant shall pay Building Share of Building Costs and Project Share of Project Costs as next provided;

(b) On or about the Commencement Date, and the beginning of each Fiscal Year thereafter, Landlord shall compute and deliver to Tenant bona fide estimates of Building Share of Building Costs and Project Share of Project Costs for the appropriate period and, without further notice, Tenant shall pay to Landlord equal monthly instalments of such estimates simultaneously with instalments of Annual Rent during such period;

(c) Unless delayed by causes beyond Landlord's reasonable control, Landlord shall deliver to Tenant within 120 days after the end of each Fiscal Year and after the expiry of the Term a statement certified to be correct by Landlord (the 'Statement"), setting out in reasonable detail the amount of Building Costs and Project Costs and the calculation of Building Share of Building Costs and Project Share of Project Costs for such Fiscal Year. If the aggregate of the instalments of Building Share of Building Costs and Project Share of Project Costs actually paid by Tenant to Landlord during such Fiscal Year differs from the total amount of Building Share of Building Costs and Project Share of Project Costs set forth on the Statement, Tenant shall pay to Landlord or Landlord shall credit to Tenant the difference without interest within 30 days after the date of delivery of the Statement;

(d) If Tenant disagrees with the accuracy of the information set forth in the Statement, Tenant shall nevertheless make payment or be credited in accordance with the Statement, but Tenant shall, within 30 days of delivery of the Statement, advise Landlord of such disagreement and Landlord shall, within 30 days of such notice of disagreement provide Tenant with evidence and receipts in reasonable detail supporting such Statement. If Tenant thereafter gives Landlord notice of its continuing disagreement, the disagreement shall immediately be

referred by Landlord for prompt decision by a public accountant, architect, insurance broker or other professional consultant who is, in the opinion of Landlord, acting reasonably, qualified to assess and determine the matter and who shall be deemed to be acting as an expert and not as an arbitrator and whose determination shall be final and binding on Landlord and Tenant, unless within 30 days of the determination either party elects to submit the matter to arbitration pursuant to applicable law. The cost of the expert and of any arbitration shall be borne equally by Landlord and Tenant. Any adjustment required to any previous payment or credit made by Tenant or Landlord by reason of any final decision shall be made, without interest, within 30 days thereof;

(e) Neither party may claim a re-adjustment of Operating Costs for a period based upon any error or computation or allocation except by notice delivered to the other party within 6 months after the date of delivery of the Statement; and

(f) If the Term expires or this Lease is otherwise terminated on a date other than the last day of a Fiscal Year, Building Share of Building Costs and Project Share of Project Costs shall be adjusted on a per diem basis, based on and calculated at the time of delivery of the Statement next delivered after such date. If the aggregate of the instalments of Building Share of Building Costs and Project Share of Project Costs actually paid by Tenant to Landlord during the period up to and including the expiry or earlier termination date differs from the total amount of Building Share of Building Costs and Project Share of Project Costs payable for the period up to such date, Tenant shall pay to Landlord or Landlord shall refund to Tenant the difference without interest within 30 days after the date of delivery of the Statement, subject to the provisions of Section 2.5(d) above.

2.6 Payment of Other Charges. Tenant shall make all payments of Other Charges to Landlord, or third parties, as applicable, which pursuant hereto are the responsibility of Tenant.

ARTICLE 3
OPERATION AND MAINTENANCE OF THE PROJECT AND THE PREMISES

3.1 Standards and Condition of Premises. During the Term, Tenant shall (subject to fair wear and tear, provided that nothing herein shall require Landlord to remedy such fair wear and tear) operate and maintain the Premises and all improvements therein in good order and condition, in accordance with all applicable laws and regulations, and with standards of efficient and prudent property operation and management from time to time prevailing for buildings and land in a project similar in use, type and location.

3.2 Services to Premises. Except as hereinafter set out, Tenant shall, at its sole cost, provide all services in the Premises, including without limitation:

(a) hot and cold running water and necessary supplies In washrooms sufficient for the normal use thereof.

(b) heat, ventilation and air conditioning as required for the comfortable use and occupancy of the Premises during Normal Business Hours;

(c) maintenance services of repairing, replacing, repainting and redecorating the Premises at reasonable intervals as needed to maintain the Premises in good condition, reasonable wear and tear excepted;

(d) janitorial services, Including window washing, dry-cleaning of drapes and shampooing of carpets, to keep the Premises In a clean and tidy condition;

(e) replacement of building standard fluorescent tubes, light bulbs, ballasts, and starters as required from time to time as a result of normal usage; and

(f) electric power for normal lighting and small business office equipment, water and any other utilities used In connection with the Premises, subject to Landlord's obligation to ensure that such utilities are available to the Premises. (The parties acknowledge and agree that, except for the original installation of such utilities, the costs of making such utilities available to the Premises will be shared by Tenant and other tenants in the Building as Building Costs.)

The foregoing notwithstanding, Landlord may elect from time to time to provide any or all of such services if in Landlord's opinion, reasonably exercised, Tenant is not providing such service adequately, in which event (i) Tenant shall not interfere with Landlord's provision of such services, (ii) Landlord may elect to include the costs of such services In Building Costs or allocate them specifically to the Premises, and (iii) Tenant shall pay all costs of such services allocated specifically to the Premises and Building Share of such costs included In Building Costs. Landlord shall ensure the installation of facilities to provide natural gas, electricity, water and telephone services to the Premises and Landlord shall determine in its sole discretion exercised reasonably whether any or all of such services shall be separately metered. Landlord shall ensure that sanitary sewers are available in the Premises and that storm sewers are available at the Building and the Land.

3.3 Building, Land and Project Services.

(a) Landlord shall provide to the Building and the Land such other services as Landlord in its sole discretion exercised reasonably deems appropriate from time to time, Services including without limitation signs, decor, medians, islands, utilities, service centres dedicated to the Building, pedestrian and vehicular pathways, and landscaping and Tenant shall pay, in respect thereof, Building Share of Building Costs.

(b) Landlord or other parties responsible for the Common Areas of the Project shall provide to the Project such other services as Landlord or such parties in their sole discretion exercised reasonably deems appropriate from time to time, including without limitation signs, decor, open area space, medians, islands, parks, ponds, creeks, utilities, service centres, pedestrian and vehicular pathways, and landscaping and Tenant shall pay, in respect thereof, Project Share of Project Costs.

3.4 Maintenance Repairs and Replacement. Subject to the other provisions of this Lease and except for reasonable wear and tear and damage not covered by insurance normally maintained by prudent landlords, Landlord shall keep in a good and substantial state of repair the exterior walls, roof, foundations, floor slabs and bearing structure of the Building. Unless and

until Landlord exercises its right under Section 3.2 to perform any or all of the following on Tenant's behalf and at Tenant's expense, Tenant shall operate, maintain, repair and replace everything in the Premises, including without limitation all Leasehold Improvements, all trade fixtures and glass in the Premises, the systems, facilities, and equipment necessary for the proper operation of the Premises and for the provision of all services to the Premises and without limiting the generality of the foregoing, Tenant shall at its own expense:

(a) maintain in good operating condition to Landlord's satisfaction the water, sewer and gas and all other mechanical systems within the Premises;

(b) maintain service contracts for the inspection and maintenance of the heating, ventilating and air conditioning units serving the Premises (whether or not located within the Premises) and file copies of such contracts with Landlord;

(c) repair or replace to Landlord's satisfaction all glass, locks and doors (including overhead doors) in or upon the Premises which become damaged or broken; and

(d) replace and maintain all light fixtures, bulbs, tubes, ballasts, starters and fuses as is necessary from time to time;

provided that:

(e) if all or part of such systems, facilities and equipment are destroyed, damaged or impaired, Tenant shall have a reasonable time in which to complete the necessary repair or replacement, and during that time shall be required to maintain all such services as are reasonably possible In the circumstances;

(f) following initial Installation and any significant alteration of partitioning or installations, proper operation of heating and air handling systems will require balancing and rebalancing and Tenant shall have a reasonable time in which to complete the necessary balancing and rebalancing;

(g) Tenant may temporarily discontinue such services to the Premises or any of them at such times as may be necessary due to causes (except lack of funds) beyond the reasonable control of Tenant;

(h) Tenant shall use reasonable diligence in carrying out its obligations under this Article;

(i) Landlord shall be responsible for repairing at its expense any Structural Defects to the Building adversely affecting the Premises and any other damage directly caused by such Structural Defects that Tenant would otherwise be responsible to repair;

(j) nothing herein shall obligate Tenant to make any repairs, changes or alterations or to add any equipment or device rendered necessary by the Building not having been constructed In accordance with the law as it existed at the date of initial construction; and

(k) nothing contained herein shall derogate from the provisions of Article 7.

Tenant will notify Landlord immediately upon Tenant becoming aware of any defect in the Premises, the Building, or the Project or of any other condition which may cause damage to the Premises, the Building, or the Project.

3.5 Landlord Services to Premises. If Landlord elects to provide, on behalf of Tenant, any services to be provided pursuant to Section 3.2 and 3.4 hereof:

(a) Landlord shall not be liable for damage to any person or property, fixtures, furnishings, or equipment or claims for loss of business, or other loss or damage suffered or caused by failure of the mechanical or electrical systems of the Building or the Project, including without limitation interruption in the supply of power or other services, malfunction of any sprinkler system, bursting or leaking of sewer pipes or of gas, steam, or water, or leakage of any type, unless caused by the gross negligence, wilful misconduct, or wilful omission of Landlord or those for whom it is in law responsible;

(b) no reduction or discontinuance of services under this Article shall be construed as an eviction of Tenant or a breach of the covenant of quiet enjoyment, or release Tenant from any of its obligations under this Lease; and

(c) Landlord shall be deemed to have observed and performed the terms and conditions to be performed by Landlord under this Lease, including those relating to the provision of utilities and services, if in so doing Landlord acts in accordance with a directive, policy or request of a government or quasi-governmental authority serving the public interest In the fields of energy, conservation or security.

3.6 Additional Services. If from time to time requested in writing by Tenant and to the extent that it is reasonably able to do so, Landlord shall provide services in addition to those set out in this Article:

(a) in the Premises or in respect of any permitted improvements, installations, alterations, additions, changes, repairs or replacements to any part of the Premises, provided that Tenant shall be solely responsible for the cost thereof and Tenant shall within 30 days of receipt of an invoice for any such additional service pay Landlord the cost thereof plus a fee of 10% thereon; and

(b) in the Project, and the cost thereof shall:

(i) be the sole responsibility of Tenant where only Tenant derives benefit therefrom, payable as set out in (a) hereof; and

(ii) form part of the Project Costs where the service is for the benefit of all tenants of the Project.

3.7 Alterations by Landlord. Landlord may from time to time make repairs, replacements, changes or additions to the structure, systems, facilities and equipment in the Building or the Project, including the Premises, where necessary to serve the Building or the Project; provided that in doing so, Landlord shall not disturb or interfere with Tenant’s use of the Premises and operation of its business any more than is reasonably necessary in the circumstances and shall repair any damage to the Premises caused thereby.

3.8 Access by Landlord. Tenant shall permit Landlord to enter the Premises during Normal Business Hours where such entry will not unreasonably disturb or interfere with Tenant's use of the Premises and operation of its business, and at any time in the event of an emergency, to examine, inspect, and during the 270 days preceding the expiration of this Lease, show the Premises to persons wishing to lease them, to provide services or make repairs, replacements, changes or alterations as set out in this Lease, and to take such steps as Landlord may deem necessary for the safety, improvement or preservation of the Premises, the Building, or the Project. Except in the case of an emergency, Landlord shall, whenever entering the Premises under Section 3.7 or this Section 3.8, give reasonable notice to Tenant prior to such entry, and to the extent possible identify the individual or individuals who will enter the Premises and such individuals' employer, and shall use its reasonable efforts to observe security and safety measures reasonably requested by Tenant from time to time, but such entry shall not be construed as an eviction of Tenant or a breach of the covenant of quiet enjoyment and shall not release Tenant from any of its obligations under this Lease.

3.9 Name of Building. Landlord may determine and specify one or more names, numbers, or like designations, by which any or all of the Premises, the Building, or the Project (or any component thereof) shall be known and identified. Landlord shall have the right from time to time, on 30 days' notice to Tenant, to change any such name, number or designation of the Premises, the Building or the Project, without liability to Tenant. The foregoing provisions of this Section 3.9 notwithstanding, Landlord will not name or rename the Building without Tenant's consent, which Tenant shall not withhold unreasonably.

3.10 Floor Loads. Tenant shall not place (or cause or permit to be placed) a load upon any portion of any floor of the Building which exceeds the floor load that the area of such floor being loaded was designed to carry having regard to the loading of adjacent areas and that which is allowed by code. Landlord reserves the right to prescribe the weight and position of all safes and heavy installation which Tenant wishes to place in the Premises so as to distribute properly the weight thereof and Tenant shall pay for all costs incurred by Landlord and Landlord's Architect in making such assessment. Tenant shall not cause or permit any excessive vibration in the Building. Tenant shall repair any damage done in the Building by reason of any excessive weight placed In the Building or excessive vibration caused in the Building.

3.11 Failure to Maintain Premises. If Tenant fails to perform any obligation under this Article, then on not less than 10 days' notice to Tenant, (except in the event of an emergency as determined by Landlord, acting reasonably, in which case entry may be made immediately) Landlord may enter the Premises and perform or cause performance of such obligation without liability to Tenant for any loss or damage to Tenant thereby occasioned, and Tenant shall pay Landlord for all Outlays plus 20% of such for overhead and supervision, within 10 days of receipt of an invoice therefor, and the entry and performance of such obligations by Landlord shall not be construed as an eviction of Tenant or a breach of the covenant of quiet enjoyment and shall not release Tenant from any of its obligations under this Lease. Tenant shall not be entitled to any compensation for any inconvenience, nuisance or discomfort occasioned by such entry.

3.12 Alterations by Tenant.

(a) Tenant may from time to time at its own expense make changes, additions and improvements in the Premises to better adapt the Premises to its business, provided that any such change, addition or improvement shall:

(i) comply with the requirements of all governmental or quasi-governmental authorities having jurisdiction;

(ii) be made only with the prior written consent of Landlord, not to be unreasonably withheld;

(iii) comply with requirements pertaining to Landlord as an owner of property in GLENLYON Business Park, including without limitation any requirements of a Business Park Management Agreement and be equal to or exceed the standard of the Building when constructed; and

(iv) be carried out only by contractors approved in writing by Landlord, which persons shall, if required by Landlord, deliver to Landlord before commencement of the work, an authorised building permit from the applicable municipality, performance and payment bonds, and proof of workers' compensation and public liability and property damage insurance coverage, with Landlord named as an additional insured, with companies and in amounts and with coverages and in form reasonably satisfactory to Landlord, and which shall remain in effect during the entire period in which the work will be carried out and for a reasonable period of time thereafter;

(b) Subject to compliance with such reasonable rules and regulations as Landlord may make from time to time, Tenant and its contractors shall have access to the Premises for purposes of undertaking the work approved pursuant to subsection (a), provided such work shall be undertaken and completed with all reasonable diligence;

(c) except to the extent that Landlord, acting reasonably, otherwise requires or directs, such work shall be done by contractors selected by Tenant, provided that there shall be no conflict caused thereby with any union or other contract to which Landlord or any of its contractors may be a party, and if Tenant's contractors or workmen cause such conflict, Tenant shall forthwith remove them from the Premises;

(d) INTENTIONALLY DELETED

(e) Landlord shall have no responsibility or liability whatsoever with respect to any such work or attendant materials left or installed in the Premises and for any delays resulting therefrom, and shall be reimbursed for any Outlays. Tenant shall be solely responsible for the removal of any and all construction refuse or debris resulting from such work. To the extent such removal requires the use of or occurs within any Building Common Areas, it shall occur only after Normal Business Hours; and

(f) Tenant shall bear any increase in Taxes, fire or casualty Insurance premiums for any or all of the Premises, the Building, or the Project attributable to such change, addition or improvement. Tenant shall promptly repair at its own expense all damage to the Premises, the Building, or the Project, without limitation including the property of others, resulting from such changes, additions or improvements.

3.13 Builders' Liens. Tenant shall pay before delinquency all costs for work done or caused to be done by Tenant in the Premises which could result in any lien or encumbrance on Landlord's Interest in the Project or any part thereof, including without limitation the Building, and shall keep the title to the Project and every part thereof, including without limitation the Building, free and clear of any lien, certificate of lis pendens or encumbrance in respect of such work, and shall indemnify and hold harmless Landlord against all Outlays. Tenant shall immediately notify Landlord of any such lien, claim of lien or other action of which it has or reasonably should have knowledge and which affects the title to the Project or any part thereof, including without limitation the Building, and shall cause the same to be removed within 15 days (or such additional time as Landlord may allow in writing), failing which Landlord may take such action as Landlord deems necessary to remove the same and Tenant shall pay Landlord for all Outlays within 10 days of receipt of an invoice therefor.

3.14 Signs. Tenant shall, at Tenant's cost, have the right to install prominent signage on the exterior of the Building, subject to any rules or regulations issued hereunder or other guidelines for GLENLYON Business Park (which may include, without limitation, any rules, regulations or guidelines requiring signs to conform to a uniform pattern of identification or signs in the Project) and subject to the approval of Landlord and the City of Burnaby, such approval of Landlord not to be unreasonably withheld. Tenant shall not inscribe or affix any sign, lettering or design in the Premises which is visible from the exterior of the Premises or the Project.

3.15 Tenant's Property.

(a) Tenant may install in the Premises its usual trade fixtures and personal property in a proper manner, provided that no such installation shall interfere with or damage the mechanical or electrical systems or the structure of the Building. If Tenant is not in default hereunder, Tenant's Property installed in the Premises by Tenant may be removed from the Premises:

(i) from time to time in the ordinary course of Tenant's business; and

(ii) during a reasonable period prior to the expiration of the Term,

provided that Tenant shall promptly repair at its own expense any damage to the Building, the Premises or the Project resulting from such installation or removal; and

(b) For purposes of this Lease the expression "Tenant's Property" (whether owned or leased by Tenant and whether or not affixed to the Premises) shall mean personal property, trade fixtures and fittings, furniture and furnishings, supplies, inventories and merchandise, and equipment and systems from time to time installed, provided and used by Tenant in the Premises for the conduct of its business and shall include Special Tenant Improvements.

3.16 Leasehold Improvements.

(a) Provided that nothing in this Section shall inhibit Tenant's rights pursuant to Section 3.12 to make alterations or pursuant to Section 3.15 to install and replace Tenant's Property, all Leasehold Improvements in or about the Premises shall upon the completion thereof forthwith become the absolute property of Landlord without compensation therefor, but without Landlord having or thereby accepting any responsibility in respect of the maintenance, repair, replacement or removal thereof (other than pursuant to Articles 5 and 6 hereof) which shall be Tenant's responsibility; and

(b) For purposes of this Lease the expression "Leasehold Improvements* shall include, without limitation, all improvements, installations, alterations and additions from time to time made, erected or installed in any part of the Premises by or on behalf of Tenant, or any previous or other occupant of the Premises including, without limitation, all partitioning, doors and hardware, heating, air conditioning, ventilation, mechanical, electrical and utility installations, light fixtures, floor and window coverings, decorations, finishes and fixtures, howsoever affixed and whether movable or immovable, excepting only Tenant's Property.

ARTICLE 4
TAXES

4.1 Landlord's Taxes. Landlord shall, where a separate assessment cannot be obtained for the Building and the Land or the Common Areas of the Project, pay Taxes of Building and Taxes of Common Areas of the Project, as applicable, before delinquency on the understanding that Tenant shall pay to Landlord Building Share of Taxes of Building and Project Share of Taxes of Common Areas of the Project. Landlord may, to the fullest extent permitted by law and provided It diligently prosecutes any contest or appeal of Taxes, defer payment of Taxes or defer compliance with any statute, by-law, or regulation in connection with the levying and payment of Taxes. Landlord will use reasonable efforts to obtain a separate assessment for the Building and the Land and at Tenant's reasonable written request, Landlord will appeal Taxes.

4.2 Allocation. If there are not separate assessments of Taxes for the components of the Project, including the Building and the Land and Common Areas of the Project, Landlord shall allocate Taxes to the Building and the Land and Common Areas of the Project on an equitable basis having regard, without limitation, to the various uses and values of the components, comprising the assessment, any separate assessments that may have been rendered by the taxing authority, and any assessment principles known, or prescribed by any lawful taxing authority.

4.3 Tenant's Taxes. Tenant shall pay directly to the appropriate authorities and before delinquency every tax, assessment, licence fee, excise fee and other charge (excluding income tax), however described, which Is imposed, levied, assessed or charged by any governmental or quasi-governmental authority having jurisdiction and which is payable In respect of the Term or upon or on account of:

(a) separate assessments of or in respect of the Premises;

(b) operations at, occupancy of, or conduct of business in or from the Premises by or with the knowledge of Tenant;

(c) Tenant's Property or fixtures or personal property in the Premises which do not belong to Landlord; and

(d) the Rent paid or payable by Tenant to Landlord for the Premises or for the use and occupancy of all or any part thereof, excluding Landlord's income taxes and other taxes personal to Landlord.

4.4 Right to Contest. Tenant shall have the right to contest in good faith the validity or amount of any tax, assessment, licence fee, excise fee or other charge which it is responsible to pay under Section 4.3 or 4.5, provided that no contest by Tenant may involve the possibility of forfeiture, sale or disturbance of Landlord's interest in any part of the Premises, the Building or the Project and that upon the final determination of any contest by Tenant, Tenant shall immediately pay and satisfy the amount found to be due, together with all costs, penalties and interest relating thereto or arising therefrom.

4.5 Additional Taxes. If by reason of any act or election of Tenant, or any subtenant, licensee or occupant of the Premises (except Landlord after election by Landlord of any right to sublease pursuant to this Lease), the Project, the Building, or the Premises or any part thereof shall be assessed an increased rate or assessment, the Tenant shall pay before delinquency the amount by which the resulting Taxes exceed those which would otherwise have been payable.

4.6 Evidence of Payment. Tenant shall provide to Landlord, within 7 days of making such payment, evidence of payment of Taxes and all taxes payable under this Article 4.

ARTICLE 5
INSURANCE

5.1 Landlord's Insurance.

(a) During the Term, Landlord will (subject to participation by Tenant by payment of Building Share of Building Costs) maintain Insurance on, or self insure, the Building and the Land, and Landlord may maintain (subject to participation by Tenant by payment of Project Share of Project Costs) insurance on the interest of Landlord in the Project, and which Include Landlord as the named insured but excluding Tenant's Property, with coverage and in amounts and in respect of risks which are from time to time acceptable to a prudent owner of a project similar in use, type, and location and from time to time insurable at reasonable premiums. Landlord shall request from its insurer an endorsement that all policies for such insurance shall contain a waiver by the insurer of any right of subrogation against Tenant and its officers, directors, partners and employees. Landlord agrees to make available all proceeds from such policies for the expeditious repair or replacement of the insured property. Landlord shall review the insurance in consultation with an Independent, professional insurance broker not less frequently than every three years and may on the recommendation of such insurance broker effect insurance subject to reasonable deductibles to be borne by the insured in the event of a claim arising. Nothing herein shall preclude Landlord effecting so-called 'all risks" property insurance, or effecting blanket insurance in respect of the Project and any other properties of

which Landlord is the owner or tenant, or in which Landlord has an insurable interest. Landlord shall allocate (in circumstances where the insurer or the Insurer's agent fails to do so) the cost of premiums to the Building and Land, Common Areas of the Project and any other of the Project Components (and such other properties as may be appropriate), taking into consideration values of the subject Project Components, and any other properties so included, and the recommendation of Landlord's insurance broker;

(b) Provided that:

(i) if in the opinion of Landlord any Leasehold Improvements do not constitute a finishing of the Premises in a manner which would have general utility but are specially or peculiarly adapted for Tenant's use, or if the insuring of any of the Leasehold Improvements in the Premises involves, or would in the opinion of Landlord's insurance broker involve, a premium exceeding that for the insuring of Leasehold Improvements normal in the Premises, or any special stipulations or conditions of a policy of insurance are imposed or involved in the insurance thereof, Landlord may from time to time elect, by written notice to Tenant, not to insure or cause to be insured any such Leasehold Improvements, in which event Tenant shall, and Landlord shall not, be required to insure such Leasehold Improvements; and

(ii) if from time to time the insuring of the Leasehold Improvements in the Premises (other than those which Landlord may have elected not to insure or cause to be insured as aforesaid) requires a premium or an allocated part of a premium, as established either by the insurer or by the estimate of Landlord's insurance broker, which exceeds the average premium cost per unit for insuring Leasehold Improvements normal to the Premises, Landlord may from time to time charge the excess premium cost to Tenant and Tenant shall make prompt payment therefor upon receipt of invoices from Landlord; and

(c) Upon the request of Tenant from time to time Landlord will furnish a statement as to the perils in respect of which and the amounts to which the Premises and the Leasehold Improvements In the Premises have been insured, and Tenant shall be entitled at reasonable times upon reasonable notice to Landlord to inspect copies of the relevant portions of all policies of insurance in effect and a copy of any relevant opinions of Landlord's insurance broker.

5.2 Tenant's Insurance. During the Term Tenant shall maintain at its own expense:

(a) In the event Landlord does not maintain insurance pursuant to Section 5.1 hereof, insurance on the Premises and all property and interest of Landlord in the Premises Including without limitation, Leasehold Improvements, with coverage and in amounts and in respect of all perils including risks which are from time to time designated by Landlord, and which reflect Landlord as the named insured and provide that any proceeds recoverable in the event of loss shall be payable to Landlord to rebuild the Premises;

(b) comprehensive general public liability insurance (including bodily injury, death and property damage) on an occurrence basis with respect to the business carried on or in or from the Premises and Tenant's use and occupancy thereof, which insurance shall contain a cross liability clause, and include Landlord as a named insured and shall protect Landlord in

respect of claims by or through Tenant as if Landlord was separately insured; and shall be for not less than $5,000,000 inclusive limits for personal injury or property damage in respect of each occurrence, or such higher limits as Landlord's insurance broker may reasonably require from time to time;

(c) insurance in respect of fire and other perils as are from time to time defined in the usual endorsement covering Tenant's Property and such Leasehold Improvements (if any) as Landlord may have elected not to insure Tenant or not to require to insure pursuant to 5,2(a) hereof, which insurance shall include Landlord as a named insured as its interest may appear with respect to insured Leasehold Improvements and provide that any proceeds recoverable in the event of loss to Leasehold Improvements shall be payable to Landlord (but Landlord agrees to make available such proceeds towards the repair or replacement of the insured property if this Lease is not terminated pursuant to any other provision hereof);

(d) whichever of business interruption insurance or extra expense insurance is applicable to Tenant, in an amount satisfactory to Landlord acting reasonably; and

(e) such other insurance of the Premises, its appurtenances, and the business conducted as would, in the opinion of Landlord acting reasonably, be carried by a prudent operator of premises similar in use, type, and location.

All such policies of insurance shall provide Landlord with 30 days' notice of material amendment or cancellation and waive any right of subrogation against Landlord and its directors, officers and employees.

5.3 Use of Proceeds. Tenant agrees that in the event of damage or destruction to the Premises covered by insurance required to be taken out by the Tenant pursuant to Section 5.2 or otherwise, Tenant shall use the proceeds of such insurance for the purpose of repairing or restoring such damage or destruction. In the event of damage to or destruction of the Premises entitling Landlord to terminate this Lease pursuant to the terms hereof, then, if the Premises have been damaged or destroyed, Tenant shall pay to Landlord all of its insurance proceeds relating to any Leasehold Improvements in the Premises which Tenant was required to insure and if any part of the Premises has not been damaged or destroyed, Tenant shall deliver to Landlord, In accordance with the provisions of this Lease, all Leasehold Improvements contained therein and the Premises.

5.4 Landlord May Place Insurance. If requested by Landlord, Tenant shall from time to time promptly deliver to Landlord evidence that insurance has been taken out pursuant to Section 5.2, or should any such insurance not be approved by either Landlord or a mortgagee, and Tenant shall not diligently rectify the deficiency within 2 business days after notice by Landlord to Tenant (stating, if Landlord or the mortgagee does not approve of such insurance, the reasons therefor), Landlord shall have the right, without assuming any obligation in connection herewith, to effect such insurance at the sole cost of Tenant and Tenant shall pay Landlord for all Outlays within 10 days of receipt of an invoice therefor.

5.5 Increase in Insurance Premiums. Tenant shall not permit, keep, use, sell or offer for sale in or upon the Premises or Project any article which may be prohibited by any fire insurance policy in force from time to time covering the Premises, the Building, or the Project. If (a) the occupancy of the Premises, (b) the conduct of business in the Premises, or (c) any acts or omissions of Tenant in the Project or any part thereof, including the Premises causes or results in any increase in premiums for the Insurance carried from time to time by:

(a) Tenant, Tenant shall pay the Insurer for such increase within the time provided in an invoice for such additional premiums received from the insurer and forthwith provide Landlord with evidence of payment thereof; and

(b) Landlord with respect to any of the Premises, the Building, or Project, Tenant shall pay Landlord for any such increase within 10 days of receipt of an invoice for such additional premiums from Landlord.

In determining whether increased premiums are caused by or result from the use or occupancy of the Premises, a schedule issued by the organization computing the insurance rate on the Building or the Project showing the various components of such rate, shall be conclusive evidence of the several items and charges which make up such rate. Tenant shall comply promptly with all requirements of the insurer's advisory organizations now or hereafter in effect or of the insurers pertaining to or affecting any of the Premises, the Building and the Project.

5.6 Cancellation of Insurance. If any insurance policy upon the Project or any part thereof, including either or both of the Premises and the Building, shall be cancelled or shall be threatened by the insurer to be cancelled, or the coverage thereunder reduced in any way by the insurer by reason of the use or occupancy of or any article, material or equipment brought upon or stored or maintained in the Premises or any part thereof by Tenant or by any assignee or subtenant of Tenant, or by anyone permitted by Tenant to be upon the Premises, (other than Landlord or an agent, representative or designate of Landlord), and if Tenant fails to remedy the condition giving rise to cancellation, threatened cancellation, or reduction of coverage within 2 business days after notice thereof by Landlord, Landlord may, at its option, either (a) re-enter and take possession of the Premises forthwith by leaving upon the Premises a notice in writing of its intention so to do and thereupon Landlord shall have the same rights and remedies as are contained in this writing of its intentions so to do and thereupon Landlord shall have the same rights and remedies as are contained in this Lease for events of default, or (b) enter upon the Premises and remedy the condition giving rise to such cancellation, threatened cancellation or reduction, without limitation or restriction including removal of any offending article, and in such event Tenant shall pay Landlord for all Outlays within 10 days of receipt of an invoice therefor, and Landlord shall not be liable for any damage or injury caused to any property of Tenant or of others located on the Premises as a result of such entry. Subject to this Section, any such entry by Landlord shall not be construed as an eviction of Tenant or a breach of the covenant of quiet enjoyment and shall not release Tenant from any of its obligations under this Lease.

ARTICLE 6
DAMAGE

6.1 Limited Damage to Premises. If all or part of the Premises are rendered untenantable by damage from fire or other casualty which, in the reasonable opinion of the Architect provided within 30 days after the fire or other casualty, can be substantially repaired under applicable laws and governmental regulations within 270 days from the date of such casualty (employing normal construction methods without overtime or other premium), Landlord shall forthwith at its expense repair such damage exclusive of damage to Tenant's Property. If the fire or other casualty occurs during the last 18 months of the Term or the last 18 months prior to the expiration of the 10th year of the Term and In the reasonable opinion of the Architect the repairs will take more than six months to complete, Tenant may elect to terminate this Lease as of the date of such casualty by notice delivered to Landlord not more than 10 working days after receipt of the Architect's opinion, in which event Landlord shall not be obligated to repair such damage.

6.2 Major Damage to Premises. If all or part of the Premises are rendered untenantable by damage from fire or other casualty whether to the Premises or the Building which, in the reasonable opinion of the Architect, cannot be substantially repaired under applicable laws and governmental regulations within 270 days from the date of such casualty (employing normal construction methods without overtime or other premium), then either Landlord or Tenant may elect to terminate this Lease as of the date of such casualty by notice delivered to the other not more than 10 working days after receipt of the Architect's opinion, failing which, Landlord shall forthwith at its expense, repair such damage exclusive of damage to Tenant's Property.

6.3 Abatement. The Rent payable by Tenant hereunder shall be proportionately reduced to the extent that the Premises are untenantable by Tenant for its business, from the date of such casualty until the earlier of:

(a) 5 days after completion by Landlord of the repairs to the Premises (or part thereof rendered untenantable) or the end of such extended period as in the opinion of the Architect, Tenant, acting diligently and expeditiously, would reasonably require to repair other improvements which Tenant may have installed, including without limitation Special Tenant Improvements (to the extent same may have been damaged); or

(b) the date Tenant again uses the Premises (or part thereof rendered untenantable) in its business;

provided however that Rent payable by Tenant hereunder shall not be reduced if the damage is caused by any act or omission of Tenant, its agents, servants, employees or any other person entering upon the Premises under express or implied invitation of Tenant, unless Landlord is entitled to be, and is, reimbursed for such Rent by the receipt of insurance proceeds.

6.4 Major Damage to Building. If all or a part of the Building is rendered untenantable by damage from fire or other casualty to such a material or substantial extent that, in the opinion of Landlord, the Building should be totally or partially demolished, whether or not to be reconstructed in whole or in part, either Landlord or Tenant may elect to terminate this Lease as of the date of such casualty by notice delivered to the other not more than 60 days after the date of such casualty, and thereupon Tenant shall vacate the Premises expeditiously and as soon as is reasonably practicable.

6.5 Reconstruction by Landlord. If all or any part of the Premises are at any time rendered untenantable as set out in this Article, and neither Landlord nor Tenant elects to terminate this Lease in accordance with the rights granted herein, Landlord shall, following such destruction or damage, commence diligently to reconstruct, rebuild or repair that part of the Premises or the Building which was damaged or destroyed, but only to the extent required above. If Landlord elects to repair, reconstruct or rebuild according to plans and specifications and working drawings other than those used in the original construction of the Premises, the nature, quality and functionality of the facilities and services in the Premises as repaired or re-built will be reasonably similar to those in the Premises prior to the damage or destruction, having regard, however, to the age of the Premises at such time.

6.6 Architect's Certificate. Whenever for any purpose of this Article an opinion or certificate of the Architect Is required, the same shall be given in writing to both Landlord and Tenant. Landlord covenants that it shall request such opinion or certificate promptly following the event which gives need for same and shall cause the Architect to act diligently and expeditiously. The certificate of the Architect shall bind the parties:

(a) as to whether or not the Premises are untenantable and the extent of such untenantability; and

(b) with respect to the time required for and the date upon which the Landlord's work or Tenant's work of reconstruction or repair Is commenced or completed or substantially completed and the date when the Premises are rendered tenantable.

If either Landlord or Tenant wishes to make representations or reasonable objections to the Architect regarding the Architect's opinions in the certificate, the parties shall have an opportunity to do so forthwith and the certificate will not be binding until the Architect has considered the representations or objections and amended the certificate if the Architect deems such amendment appropriate.

6.7 Limitation of Liability. Except as specifically provided in this Article, there shall be no reduction or abatement of Rent and Landlord shall have no liability to Tenant by reason of any injury to or interference with Tenant's business or property arising from fire or other casualty, howsoever caused, or from the making of any repairs resulting therefrom in or to any portion of the Building, Premises, or Project.

ARTICLE 7
INJURY TO PERSON OR PROPERTY

7.1 Indemnity of Landlord. Tenant agrees that:

(a) Except only to the extent caused by Landlord's gross negligence, willful misconduct, or willful omission, Landlord shall not be liable for any bodily injury to or death of, or loss or damage to any property belonging to, Tenant or its employees, invitees or licensees or any other person in, on or about the Premises, the Building, or the Project or for any interruption of any business carried on in the Premises and, without limiting the generality of the foregoing, in no event shall Landlord be liable:

(i) for bodily Injury or death of anyone which results from fire, explosion, earthquake, flood, falling plaster, steam, gas, electricity, water, rain, snow, dampness or leaks from any part of the Premises or the Building or from the pipes, appliances, electrical system, plumbing works, roof, subsurface or other part or parts of the Premises , the Building, or the Project or the streets, lanes and other properties adjacent thereto; or

(ii) for any damage, injury or death caused by anything done or committed by Tenant or any of its servants or agents or by any other person in the Premises; or

(iii) for the non-observance or the violation of any provision of any of the rules and regulations of Landlord in effect from time to time or of any lease by another tenant of premises In the Building or the Project or of any concessionaire, employee, license, agent, customer, officer, contractor or other invitee of any of them, or by anyone else;

(iv) for any act or omission (including theft, malfeasance or negligence) on the part of any agent, contractor or person from time to time employed by Tenant to perform janitorial services, security services, supervision or any other work in or about the Premises; or

(v) for loss or damage, however caused, to money, securities, negotiable instruments, papers or other valuables of Tenant or any of its servants or agents;

(b) Tenant releases and discharges Landlord from any and all actions, causes of action, claims, damages, demands, expenses and liabilities which Tenant now or hereafter may have, suffer or Incur which arise from any matter for which Landlord is not liable pursuant to subsection (a) above, notwithstanding that negligence or other conduct of Landlord or anyone for whose conduct the Landlord is responsible may have caused or contributed to such matter; and

(c) Tenant shall and does hereby indemnify and save harmless Landlord in respect of:

(i) all claims for bodily injury or death, property damage or other loss or damage arising from the conduct of any work by or any act or omission of Tenant or any assignee, subtenant, agent, employee, contractor, invitee or licensee of Tenant, and in respect of all costs, expenses and liabilities incurred by Landlord in connection with or arising out of all such claims, without limitation including the expenses of any action or proceeding pertaining thereto;

(ii) any loss, cost, expense or damage suffered or incurred by Landlord arising from any breach by Tenant of any of its obligations under this Lease; and

(iii) all costs, expenses and Outlays that may be incurred or paid by Landlord in enforcing against Tenant the covenants, agreements, obligations and representations of the Tenant set out in this Lease.

7.2 Environmental Matter. Any other provision of this Lease to the contrary notwithstanding, Tenant shall be liable to Landlord for and does hereby hold harmless and indemnify Landlord, its officers, employees and agents and the successors and permitted assigns of Landlord from and against all losses, costs, liabilities, claims, damages, expenses, demands, suits, actions or other proceedings, judgments, penalties and fines (including, without limiting the generality of the foregoing, direct losses, costs, damages and expenses of Landlord, including any reduction in the market value of any or all of the Premises, the Building and the Project, damages for loss, or restriction in the use of rentable space, or of an amenity of the Premises, the Building, or the Project, damages arising from any adverse impact on marketing of space, and sums paid in settlement of claims, legal fees, solicitor-client costs, consultant fees and expert fees) which arise during or after the Term and are in any manner based upon, arise out of or are connected with the presence or suspected presence of any waste, as that term is defined in the Waste Management Act, S.B.C. 1979 c.41, as amended from time to time, toxic or hazardous substances in, on or under the Premises, the Building, or the Project or any other contamination, Including that resulting from waste, an unhealthful, hazardous or dangerous condition, caused by, contributed to or aggravated by the Tenant's violation of any laws, ordinances, regulations or requirements pertaining to solid or other wastes, chemicals, oil and gas, toxic, corrosive or hazardous materials, air, water (surface or ground water) or noise pollution and the storage, handling, use or disposal of such matter (except to the extent the waste, toxic or hazardous substances or any other contaminants are present as a result of the negligence or wilful misconduct of Landlord), including, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work required by any federal, provincial or municipal government agency.

ARTICLE 8
ASSIGNMENT AND SUBLETTING BY TENANT

8.1 Conditions.

(a) Except as specifically provided In this Article, Tenant shall not assign or transfer this Lease or any interest herein, or In any way part with possession of all or any part of the Premises, or permit all or any part of the Premises to be used or occupied by any other person whether by operation of law or otherwise. Any assignment, transfer, or subletting or purported assignment, transfer, or subletting except as specifically provided herein shall be null and void and of no force or effect and shall render null and void any and all options or rights to renew this Lease, any options or rights to additional space and any options or rights to parking space.

(b) If and whenever Tenant shall wish or purport to assign this Lease or any interest herein, or sublet all or part of the Premises, Tenant shall furnish Landlord all information, particulars and documents in respect of such purported assignment or sublet as Landlord may reasonably require.

(c) The rights and interests of Tenant under this Lease shall not be assignable without Landlord's prior written consent, which consent shall not be unreasonably withheld.

(d) Landlord may reasonably withhold its consent to an assignment of this Lease or a sublease of all or part of the Premises by Tenant:

(i) INTENTIONALLY DELETED;

(ii) to an assignee, subtenant, occupier, or other person whatsoever, inconsistent, in the opinion of Landlord, with the character of the Premises, the Building, the Project, or its other tenants;

(iii) if either or both of Sections 8.3 and 8.4 has or have not been fully complied with; or

(iv) to any assignee or subtenant which does not propose to occupy and use the Premises for the conduct therein of its own business.

(e) No assignment, transfer, or subletting or use or occupation of the Premises by any other person whether or not permitted under this Article shall in any way release or relieve Tenant of its obligations under this Lease unless such release or relief is specifically granted by Landlord to Tenant in writing.

(f) Landlord's consent to an assignment, transfer, or subletting or use or occupation of the Premises by any other person shall not be deemed to be a precedent or a consent to any subsequent assignment, transfer, subletting, use, or occupation.

(g) Landlord's expenses and Outlays incurred in the consideration of any assignment or subletting, or any request therefor, and any documentation attendant on any consent of Landlord, shall be borne by Tenant.

8.2 Assignment and Subletting. Tenant shall not assign or mortgage this Lease or sublet the whole or any part of the Premises unless it shall have first requested and obtained the consent in writing of Landlord thereto. Any request for such consent shall be in writing and shall be accompanied by a true copy of any offer to take an assignment or sublease which Tenant may have received as well as a copy of the proposed assignment or sublease or mortgage and the Tenant shall furnish to the Landlord all information available to the Tenant or requested by the Landlord as to the business and financial responsibility and standing of the proposed assignee or subtenant.

8.3 Right to Assign or Sublet. Section 8.2 above notwithstanding, Tenant shall have the following rights to assign or sublet all or a portion of the Premises (together with any of the renewal rights set forth in Sections 14.2 and 14.3 which have not then yet been exercised but excluding the rights set forth in Sections 14.4 and 14.5) at any time during the Term or either of the First Extended Term and the Second Extended Term:

(a) Tenant shall have the right to sublet all or a portion of the Premises at any time during the Term or either of the First Extended Term and the Second Extended Term, subject to the approval of the Landlord, such approval not to be unreasonably withheld and provided Tenant shall continue to be bound for its obligations under this Lease, and provided that upon Tenant notifying Landlord of Tenant's intent to assign any of its interest in the Lease to a third party, Landlord shall have the right to terminate this Lease and relieve the Tenant from its obligations hereunder (except that Landlord shall not have the right to terminate this Lease if the proposed assignment is part of a transaction whereby Tenant is selling all or substantially all of its business as carried on in the Building to a bona fide third party, or the proposed assignment is to a third party that requires the Special Tenant Improvements in the operation of its business); and

(b) Tenant shall have the right to assign or sublet all or a portion of the Premises at any time during the Term or either of the First Extended Term and the Second Extended Term without Landlord's approval, provided that the assignee or sublessee is a company affiliated with or related to Tenant, and Tenant shall continue to be bound by its obligations under this Lease.

8.4 Corporate Tenant. If and while the Tenant is a corporation whose shares are not listed on any recognized stock exchange or which has less than 25 shareholders, in the event at any time during the Term it is proposed that any part or all of the shares or the voting rights of shareholders be transferred by any means whatsoever, or treasury shares be issued, or any such transfer or issue shall occur, so as to result in a change of the control of said corporation, such a transfer or issuance shall be deemed to be an assignment of this Lease and all of the provisions of this Article and all of the provisions of this Lease relating to assignment, default and termination shall apply mutatis mutandis. Tenant shall make available to Landlord, or its lawful representatives, all corporate books and records of Tenant for inspection at all reasonable times in order to ascertain whether there has been any change in the control of Tenant.

ARTICLE 9
SALE AND MORTGAGE BY LANDLORD

9.1 Transfers.

(a) Subject to the rights of Tenant under this Lease nothing in this Lease shall restrict the right of Landlord to sell, convey, assign or otherwise deal with all or a part of the Premises or the Project; and

(b) A sale, conveyance, or assignment of all or part of the Premises or the Project shall, to the extent they are assumed by the transferee or assignee, operate to release Landlord of liability from and after the effective date thereof upon all of the covenants, terms, and conditions of this Lease, express or implied, except as such may relate to the period prior to such effective date, and Tenant shall to the extent aforesaid, thereafter look solely to Landlord's successor In interest in and to this Lease.

9.2 Subordination.

(a) Provided that the Landlord, Tenant and Mortgagee (as defined below) agree upon the provisions of a non-disturbance agreement, such agreement by the Landlord and Tenant being reasonably given, this Lease and all the rights of Tenant hereunder are subject and subordinate to all mortgages and deeds of trust and all instruments similar or supplemental thereto creating a charge or encumbrance and now or hereafter existing on or which now or hereafter may affect any or all of the Project, the Building and the Premises and to all renewals, modifications, consolidations, replacements and extensions thereof and to every charge or lien resulting or arising therefrom and to every advance made or to be made thereunder (collectively referred to herein as a "Mortgage") and Tenant, whenever requested by Landlord or any mortgagee, or any trustee under a deed of trust or mortgage or any holder of a charge of

encumbrance or any purchaser, their successors or assigns (collectively referred to herein as a "Mortgagee"), shall acknowledge the same and attorn to the Mortgagee as a tenant upon all the terms of this Lease and give further assurances as may be necessary.

(b) Upon attornment, this Lease shall continue In full force and effect as a direct lease between Mortgagee and Tenant, upon all of the same covenants, terms, and conditions as set forth in this Lease except that, after such attornment, Mortgagee shall not be:

(i) liable for any act or omission of any prior landlord; or

(ii) subject to any offsets or defense of Tenant of more than one month's instalment of Rent, or by any previous modification of this Lease, unless such prepayment or modification shall have been approved in writing by Mortgagee, or such prepayment shall have been made pursuant to the provisions of this Lease.

9.3 Execution of Instruments. Tenant shall, upon request, execute and deliver any and all instruments further evidencing such subordination and (where applicable hereunder) such attornment notwithstanding any previous subordination, postponement or attornment that may have been given.

9.4 Status Statement. Each of Landlord and Tenant shall at any time and from time to time, at the expense of the party requesting the statement, forthwith after 20 days' notice from the other, execute, acknowledge, and deliver a written statement which may be relied upon by a prospective transferee or encumbrances of all or any part of the Project, whether or not including the Building, the Premises, or the leasehold estate created hereby, certifying:

(a) that this Lease is in full force and effect, subject only to such modifications (if any) as may be set out in such statement;

(b) whether Tenant is in possession of the Premises and paying Rent as provided in this Lease;

(c) the dates (if any) as to which Rent is paid;

(d) there are not, to such party's knowledge, any uncured defaults on the part of the other party hereunder, or specifying such defaults if any are claimed; and

(e) any other matters pertaining to this Lease.

ARTICLE 10
EXPROPRIATION

10.1 Definitions. In this Article,

(a) "Expropriated' means the taking of property for any public or quasi-public use under any statute or by any right of expropriation or condemnation or purchased under threat of such taking; and

(b) “Expropriation Date” means the date on which the pertinent authority takes possession of property which has been Expropriated.

10.2 Total Taking of Premises. If during the Term, all of the Premises shall be Expropriated, this Lease shall automatically terminate on the Expropriation Date.

10.3 Partial Taking of Premises. If any portion of the Premises (but less than the whole thereof) Is Expropriated, and no rights of termination herein conferred are timely exercised, the Term shall terminate with respect to the portion so taken on the Expropriation Date. In such event, the Rent payable hereunder with respect to such portion so taken shall abate and the Rent thereafter payable with respect to the remainder not so taken shall be adjusted pro rata by Landlord in order to account for the resulting reduction in the area of the Premises from the Expropriation Date.

10.4 Partial Taking of Building or Premises. If during the Term, part of the Building or the Premises is Expropriated, then:

(a) if in the reasonable opinion of Landlord substantial alteration or reconstruction of the Building or the Premises is necessary or desirable as a result thereof, Landlord shall have the right to terminate this Lease by giving the Tenant 60 days’ notice of such termination; and

(b) if more than one-third of the area of the Premises Is Expropriated Landlord and Tenant shall each have the right to terminate this Lease by giving the other 60 days’ notice thereof; and

(c) if either party exercises its right of termination hereunder, this Lease shall terminate on the date stated in the notice, provided, however, that no termination pursuant to notice hereunder may occur later than 90 days after the Expropriation Date.

10.5 Surrender. On any such Expropriation Date under this Article, Tenant shall immediately surrender to Landlord the Premises or portion thereof, as the case may be, and all interest therein under this Lease. Landlord may re-enter and take possession of the Premises or such portion thereof and remove Tenant therefrom, and the Rent shall abate on the date of termination, except that if the Expropriation Date differs from the date of termination, Rent shall abate on the former date in respect of the portion taken. After such termination, and on notice from Landlord stating the Rent then owing (if any), Tenant shall forthwith pay Landlord such Rent.

10.6 Awards. If the Premises or any part thereof Is Expropriated, Landlord shall be entitled to receive and retain the entire award or consideration for the affected lands and improvements, and Tenant shall not have, nor advance any claim against Landlord for the value of its property or its leasehold estate or the unexpired Term, or for costs of removal or relocation, or business interruption expense or any other damages arising out of such taking or purchase, but nothing herein shall give Landlord any interest in or preclude Tenant from seeking and recovering on its own account from the pertinent authority any award or compensation attributable to the taking or purchase of Tenant’s Property, chattels or trade fixtures, or the removal or relocation of its business and effects, or the interruption of its business. If any award made or compensation paid to either party specifically includes an award or amount for the other, the party first receiving the same shall promptly account therefor to the other.

ARTICLE 11
RULES AND REGULATIONS

11.1 General Purpose. Landlord may from time to time make and from time to time modify by amendment, deletion, addition, rescission or replacement, reasonable rules and regulations for the

(a) safety, use, care, and cleanliness of the Building, the Land, or the Project;

(b) the orderly and efficient operation of the Building, the Land, or the Project;

(c) the comfort and convenience of tenants and other persons in the Building;

(d) the preservation of good order and efficient management; and

(e) the control of Common Areas of the Building and Land, construction activities, movement in and out of the Building and on and off of the Land, delivery and shipping, and other services and functions.

11.2 Loading and Delivery. The delivery and shipping of merchandise, supplies, fixtures, and other materials or goods of whatsoever nature to or from the Premises and all loading, unloading, storage and handling thereof shall in any event be done in a manner that will not impair the appearance or operation of the Building, the Land, or the Project in the opinion of Landlord, reasonably held.

11.3 Construction Procedures. Landlord may from time to time pursuant to this Article make and modify regulations for the orderly, efficient and expeditious conduct of alterations pursuant to Section 3.12 and other construction work. Without limiting the generality of the foregoing, such regulations may prescribe reasonable provisions for:

(a) submission, examination and approval of drawings, plans and specifications and standards to be observed;

(b) supervision and co-ordination of such work with any work of Landlord and other work proceeding and avoidance of undue noise and vibration;

(c) protection of property, preservation of warranties, compliance with pertinent by-laws and codes, and procuring of permits;

(d) deliveries, access, hours of work, material and equipment hoisting and storage, use of power, heating and washroom facilities, clean-up and screening; and

(e) customary insurance and charges relating to above.

11.4 Repugnancy. Any rules and regulations under Section 11.1 or 11.3 above shall:

(a) not conflict with or negate the terms of this Lease;

(b) be reasonable and conform to good standards of property management;

(c) have general application to premises owned by Landlord in the Project, except that such rules and regulations may discriminate in their application to tenants and classes of tenants based on differing uses by tenants and classes of tenants;

(d) not impose charges, fees or costs which are not customary or competitive; and

(e) be effective only upon delivery of a copy thereof to Tenant at the Premises.

11.5 Observance. Tenant shall at all times comply with, and shall cause its employees, agents, contractors, licensees and invitees to comply with the rules and regulations from time to time in effect under this Article 11 and with any reasonable rules and regulations from time to time in effect with respect to the Project.

11.6 Non-Compliance. Landlord shall use reasonable efforts (but shall not be required to institute legal proceedings) to secure compliance by all tenants and other persons with the rules and regulations from time to time in effect under Section 11.1 or 11.3, but shall not be responsible to Tenant for failure of any person to comply with such rules and regulations.

ARTICLE 12
COMMUNICATION

12.1 Notices. Any notice from one party to the other shall be In writing and shall be deemed duly served if delivered to a responsible employee of the party being served, or dispatched by telecopier or like electronic means (provided dispatch, receipt and content thereof can be established and evidenced) or if mailed by registered or certified mail addressed to Tenant at the Premises (or if Tenant has departed from, vacated or abandoned the Premises by attaching a copy to the main door thereof) or to Landlord at the place from time to time established for the payment of Rent. Any notice shall be deemed to have been given at the time of delivery or, if mailed, 7 days after the date of mailing thereof. Either party shall have the right to designate by notice, in the manner established in this Section, a change of address or one additional address to which copies of notices are to be mailed. For purpose of this Section, the expression “Notice’ shall, without limitation, include any request, response, statement, or other communication to be given by one party to the other.

12.2 Authority for Action. In any matter as to which Landlord Is obligated or permitted to act hereunder, Landlord may act by and through its property manager or other agent or representative.

12.3 Withholding of Consent. A party's sole remedy if the other unreasonably withholds or delays any consent or approval required by the provisions hereof shall be an action for specific performance, and the other party shall not be liable for damages.

ARTICLE 13
DEFAULT

13.1 Force Majeure. Notwithstanding anything to the contrary contained in this Lease, if either party hereto is bona fide delayed or hindered in or prevented from the performance of any item, covenant or act required hereunder by reason of strikes, labour troubles, inability to procure materials or services, power failure, restrictive governmental laws or regulations, riots, insurrection, sabotage, rebellion, war, act of God, or other reasons whether of a like nature or not, which is not the fault of the party delayed in performing work or doing acts required under the terms of this Lease, nor due to that party's failure or inability to make payment, then performance of such term, covenant, or act, is excused for the period of the delay, and the party so delayed shall be entitled to perform such term, covenant or act within the appropriate time period after the expiration of the period of such delay. The provisions of this Article shall not operate to excuse Tenant from the prompt payment of Rent, or any other payments required by this Lease.

13.2 Events of Default. If and whenever:

(a) part or all of the Rent hereby reserved is not paid within 48 hours after written notice from Landlord that it was not received when due; or

(b) the Term, or any goods, chattels, or equipment of Tenant on the Premises are taken or exigible in execution or in attachment, or if a writ of execution is issued against any thereof and not effectively stayed within 30 days thereafter; or

(c) Tenant becomes insolvent or commits an act of bankruptcy or becomes bankrupt, or takes the benefit of any statute that may be in force for bankrupt or insolvent debtors, or becomes involved In voluntary or involuntary winding-up proceedings, or if a receiver shall be appointed for any business, property, affairs, or revenues of Tenant; or

(d) Tenant makes a bulk sale of its goods; or

(e) Tenant shall or shall purport or attempt to assign this Lease or sublet all or part of the Premises in contravention of Article 8, or, without the prior consent of Landlord, the Premises shall be used or occupied by any persons other than Tenant or its permitted assigns or subtenants, or for any use other than that for which they are leased; or

(f) Tenant fails to observe, perform and keep each and every of the covenants, terms and conditions herein contained or otherwise to be observed, performed and kept by Tenant (other than payment of Rent) and persists in such failure after 10 days' notice by Landlord requiring that Tenant remedy, correct, desist or comply (unless within the 10 days' notice period Tenant commences, and thereafter promptly and effectively and continuously proceeds, with the rectification of the breach);

then, and in any of such cases, at the option of Landlord, the full amount of the current month's and the next ensuing three months' instalments of Annual Rent shall immediately become due and payable and Landlord may immediately distrain for the same, together with any arrears then unpaid, and Landlord may, without notice or any form of legal process, forthwith re-enter upon and take possession of the Premises or any part thereof in the name of the whole and remove and sell Tenant's goods, chattels, and equipment therefrom, any rule of law or equity to the contrary notwithstanding, and Landlord may seize and sell such goods, chattels and equipment of Tenant as are in the Premises or have been removed therefrom and may apply the proceeds thereof to all Rent to which Landlord is then entitled under this Lease. Any such sale may be effected in the discretion of the Landlord by public auction or otherwise, and either in bulk or by individual Item, or partly by one means and partly by another, all as Landlord in its entire discretion may decide. If any of the Tenant's Property is disposed of, as provided in this Article, 10 days' prior notice to Tenant of disposition shall be deemed to be commercially reasonable.

13.3 Interest and Cost. Tenant shall pay to Landlord interest calculated and payable at a rate equal to the lesser of the prime commercial lending rate of the chartered bank with which Landlord conducts its banking for the Project from time to time plus five per cent per annum on a per diem basis, or eighteen (18%) percent per annum upon all Rent required to be paid hereunder from the due date for payment thereof until the same, Including this interest, is fully paid and satisfied. Tenant shall and does hereby indemnify Landlord against and shall pay on demand all Outlays Incurred in enforcing payment thereof, and in obtaining possession of the Premises after default of Tenant or upon expiration or earlier termination of the Term, or in enforcing any covenant, term, or condition herein contained.

13.4 Landlord's Right to Perform Covenants. All covenants, terms and conditions to be performed by Tenant under any of the provisions of this Lease shall be performed by Tenant, at Tenant's sole cost and expense, and without any abatement of Rent. If Tenant shall fail to perform any act on its part to be performed hereunder, and such failure shall continue for 10 days after notice thereof from Landlord (or immediately in the case of an emergency of which Tenant has knowledge), Landlord may (but shall not be obligated so to do) perform such act without waiving or releasing Tenant from any of its obligations relative thereto. Tenant shall pay Landlord on demand for all Outlays, together with Interest thereon at the rate set out in this Article from the date each such payment was made or each such cost was incurred by Landlord, until paid in full.

13.5 Waiver of Exemption and Redemption. Notwithstanding anything contained in any statute now or hereafter in force limiting or abrogating the right of distress, none of Tenant's goods, chattels or equipment on the Premises at any time during the continuance of the Term shall be exempt from levy by distress for Rent in arrears, and upon any claim being made for such exemption by Tenant or in a distress made by Landlord, this Article may be pleaded as an estoppel against Tenant In any action brought to test the right to the levying upon any such goods, chattels or equipment as are named as exempted in any such statute, Tenant hereby waiving all and every benefit that could or might have accrued to Tenant under and by virtue of any such statute but for this Lease. Landlord may seize Tenant's goods, chattels or equipment at any place to which Tenant or any other person may have removed them from the Premises in the same manner as if such goods, chattels or equipment had remained in the Premises. Tenant

hereby expressly waives any and all rights of redemption being granted by or under any present or future laws in the event of Tenant being evicted or dispossessed for any cause, or in the event of Landlord obtaining possession of the Premises by reason of the violation by Tenant of any of the covenants, terms or conditions of this Lease or otherwise.

13.6 Termination. If and whenever Landlord Is entitled to or does re-enter, Landlord may terminate this Lease by giving notice thereof, and in such event Tenant shall forthwith vacate and surrender the Premises.

13.7 Payments. If the Landlord shall re-enter or if this Lease shall be terminated, Tenant shall pay to Landlord on demand:

(a) Rent up to the time of re-entry or termination, whichever shall be the later, plus accelerated Annual Rent as in Section 13.2 provided; and

(b) as damages for the loss of income of Landlord expected to be derived from the Premises:

(i) the amounts (if any) by which the Rent which would have been payable under this Lease exceeds the payments (if any) received by Landlord from other tenants in the Premises, payable on the first day of each month during the period which would have constituted the unexpired portion of the Term had it not been terminated; or

(ii) if elected by Landlord by notice to Tenant at or after re-entry or termination, a lump sum amount equal to the Rent which would have been payable under this Lease from the date of such election during the period which would have constituted the unexpired portion of the Term had it not been terminated, reduced by the rental value of the Premises for the same period, established by reference to the terms and conditions upon which Landlord re-lets them if such re-letting is accomplished within a reasonable period after termination, and otherwise established by reference to all market and other relevant circumstances, such Rent and rental value being reduced to present worth at an assumed interest of 10% per annum on the basis of landlord’s estimates and assumptions of fact which shall govern unless shown to be erroneous.

13.8 Remedies Cumulative. No reference to or exercise of any specific right or remedy by Landlord shall preclude Landlord from exercising or invoking any remedy without limitation including any rights to require specific performance, to obtain an Injunction, and to recover damages, whether allowed at law or in equity or expressly provided for herein. No such remedy shall be exclusive or dependent upon any other remedy, but Landlord may from time to time exercise any one or more of remedies independently or in combination.

ARTICLE 14
OPTIONS

14.1 Early Termination. The Tenant shall have the right to terminate the Term at the expiration of the 10th year of the Term by giving Landlord written notice of such termination not less than 9 months prior to the conclusion of the 10th year of the term.

14.2 First Option to Renew. Provided Tenant is not then in material default under this Lease or the Offer to Lease, Landlord will, at the expiration of the Term and on the written request of Tenant delivered not later than 6 months and not earlier than 18 months before the expiration of the Term, grant Tenant one option to renew (the "First Option") for a further 5 years (the "First Extended Term"). Tenant's failure to exercise this option within the time period specified shall render both the First Option and the Second Option (as defined In Section 14.3) null and void and incapable of further exercise. If Tenant exercises the First Option within the time specified, then:

(a) all conditions in this Lease shall remain the same during the First Extended Term except for Annual Rent, Landlord's contribution to the cost of Leasehold Improvements as set out in the Offer to Lease, and the First Option; and

(b) the Annual Rent during each year of the First Extended Term shall be the effective fair market rent for the Premises as of the commencement of the First Extended Term, when compared to premises of similar size, quality and location in office buildings of a similar size, quality and location In the Greater Vancouver Regional District (but excluding any consideration for the Special Tenant Improvements). The effective fair market rent referred to above shall be determined by mutual agreement of the parties, or, failing agreement thereon prior to the date two months before the conclusion of the Term, by arbitration under the Commercial Arbitration Act of British Columbia. if the matter is being determined by arbitration but has not been determined at the commencement of the First Extended Term, Tenant shall continue to pay, when due, the instalments of Annual Rent payable during the last year of the Term, together with all other payments which comprise Rent, and Tenant shall pay the deficiency or Landlord shall credit the excess (if any) without interest within 10 days of the adjusted Annual Rent being agreed or determined.

14.3 Second Option to Renew. If Tenant exercises the First Option in accordance with Section 14.2, then provided Tenant is not then in material default under this Lease or the Offer to Lease, Landlord will, at the expiration of the First Extended Term and on the written request of Tenant delivered not later than 6 months and not earlier than 18 months before the expiration of the First Extended Term, grant Tenant one option to renew (the "Second Option") for a further 5 years (the *Second Extended Term"). Tenant's failure to exercise this option within the time period specified shall render the Second Option null and void and incapable of further exercise. If Tenant exercises the Second Option within the time specified, then:

(a) all conditions In this Lease shall remain the same during the Second Extended Term except for Annual Rent, Landlord's contribution to the cost of Leasehold Improvements as set out In the Offer to Lease, the First Option and the Second Option; and

(b) the Annual Rent during each year of the Second Extended Term shall be the effective fair market rent for the Premises as of the commencement of the Second Extended Term, when compared to premises of similar size, quality and location in office buildings of a similar size, quality and location in the Greater Vancouver Regional District (but excluding any consideration for the Special Tenant Improvements). The effective fair market rent referred to above shall be determined by mutual agreement of the parties, or, failing agreement thereon prior to the date two months before the conclusion of the First Extended Term, by arbitration under the

Commercial Arbitration Act of British Columbia. If the matter is being determined by arbitration but has not been determined at the commencement of the Second Extended Term, Tenant shall continue to pay, when due, the instalments of Annual Rent payable during the last year of the First Extended Term, together with all other payments which comprise Rent, and Tenant shall pay the deficiency or Landlord shall credit the excess (if any) without interest within 10 days of the adjusted Annual Rent being agreed or determined.

14.4 Right of First Refusal. Provided Tenant is not then In material default under this Lease or the Offer to Lease, Tenant shall have at any time or times during the Term the first right of refusal to match the terms of any acceptable bona fide offer to lease all or part of the Building not then already leased by Tenant. Tenant shall have 10 business days, following written notification by Landlord or its agent of any such offer, to exercise this right by notice in writing to Landlord. Tenant's failure to exercise this right within the 10 days specified shall render the right null and void and incapable of further exercise with respect to such offer. Whenever Tenant exercises this right as to any such offer, the premises so leased by Tenant will thereafter form part of the Premises and the terms of this Lease shall apply, except to the extent inconsistent with the terms of the offer matched by Tenant and except that Landlord's contribution, under this Lease and the Offer to Lease, to the cost of Leasehold Improvements as set out in the Offer to Lease shall not apply.

14.5 Option to Lease Adjoining Space.

(a) Tenant shall have an option, subject to and as set forth in this Section 14.5, to lease all or a portion of the balance of the Rentable Area of the Building (in this Section 14.5 referred to as the "Option Space"). Provided Tenant is not then in material default under this Lease or the Offer to Lease, Tenant shall have the right, on the earlier of:

(i) if the term of a lease of the Option Space to a third party expires after the date that is three years after the Commencement Date, then the date that is 30 days after the date the term of such lease expires; and

(ii) the date that is 5 years and 9 months after the Commencement Date;

to lease all or a portion of the Option Space. To exercise such option, Tenant must give written notice of its exercise, specifying the premises to be leased, not less than 6 months prior to the expiration of the term of a lease referred to in clause (i) above if the date specified in clause (i) Is the operative date, or during the period between the 51st and 55th months after the Commencement Date, inclusive, if the date in clause (ii) above is the operative date. Tenant's failure to exercise this option within the pertinent time specified shall render the option null and void and incapable of further exercise. If Tenant exercises this option within the pertinent time period specified and does not exercise its rights under Section (c) below, Tenant will take the premises so leased in their as le condition at the expiration of the term of the relevant lease and such premises will thereafter form part of the Premises and the terms of this Lease shall apply, except for Annual Rent and Landlord's contribution to the cost of Leasehold Improvements as set out in the Offer to Lease.

(b) The rate per square foot of Rentable Area of the Option Space for the calculation of Annual Rent shall be the effective fair market rent per square foot for the Option Space as of the date Tenant's lease of the Option Space begins, when compared to premises of similar size, quality and location in office buildings of a similar size, quality and location in the Greater Vancouver Regional District. The effective fair market rent referred to above shall be based on the Option Space's "as is" condition referred to in Section (a) above (except as otherwise provided under Section (c) below) and shall be determined by mutual agreement of the parties, or, failing agreement thereon within the 6 months following Tenant's notice exercising such option, by arbitration under the Commercial Arbitration Act of British Columbia. If the matter is being determined by arbitration but has not been determined at the date Tenant's lease of the Option Space begins, Tenant shall pay, when due, the instalments of Annual Rent at the same rate as is then payable for the Premises hereunder, together with all other payments which comprise Rent, and Tenant shall pay the deficiency or Landlord shall credit the excess (if any) without interest within 10 days of the Annual Rent rate for the Option Space being agreed or determined.

(c) If the premises leased by Tenant pursuant to this option were improved by a previous tenant, Tenant shall have the right to request, prior to the determination of the Annual Rent rate under paragraph (b) above, that Landlord return all or a portion of the space back to base building standard, at no cost to Tenant, and the Annual Rent rate under paragraph (b) above shall be based on the "as is" condition of the premises after the return of all or a portion of the space back to base building standard.

ARTICLE 15
SURRENDER AND TERMINATION

15.1 Surrender of Possession. Upon the expiration or earlier termination of this Lease, Tenant shall immediately quit and surrender possession of the Premises in substantially the condition In which Tenant is required to maintain the Premises, and all Leasehold Improvements excepting only reasonable wear and tear, and damage covered by Landlord's insurance. Upon such surrender, all right, title and interest of Tenant in the Premises and under this Lease shall cease.

15.2 Tenant's Property. Subject to Tenant's rights under Section 3.15, 10 days after the expiration or earlier termination of this Lease, all of the Tenant's Property, personal property and improvements remaining in the Premises shall be deemed conclusively to have been abandoned by Tenant and may be appropriated, sold, destroyed or otherwise disposed of by Landlord without notice or obligation to compensate Tenant or to account therefor, and Tenant shall pay Landlord for all Outlays within 10 days of receipt of an invoice therefor. Landlord may, at its option, require Tenant to remove all or part of the Leasehold Improvements, made or installed in the Premises, and may require Tenant to restore the Premises to a condition equivalent to the condition in which Tenant was required to maintain the Premises during the Term.

15.3 Merger. The voluntary or other surrender of this Lease by Tenant or the sublease of space by Tenant to Landlord or the cancellation of this Lease by mutual agreement of Tenant and Landlord shall not operate as a merger, but shall, at Landlord's option, terminate all or any subleases and subtenancies or operate as an assignment to Landlord of all or any subleases or subtenancies. Landlord's options hereunder shall be exercised by notice to Tenant and all known subtenants in the Premises or any part thereof.

15.4 Payments After Expiration or Termination. No payments of money by Tenant to Landlord after the expiration or earlier termination of this Lease or after the giving of any notice (other than a demand for payment of money) by Landlord to Tenant shall reinstate, continue or extend the Term or make Ineffective any notice given to Tenant prior to the payment of such money. After the service of notice or the commencement of a suit, or after final judgment granting Landlord possession of the Premises, Landlord may receive and collect any sums of Rent due, and the payment thereof shall not make ineffective any notice, or in any manner affect any pending suit or any judgment theretofore obtained.

15.5 Holding Over.

(a) If Tenant remains In possession of the Premises after the expiration or earlier termination of this Lease, a tenancy from year-to-year shall not be created, and Tenant shall be deemed to be occupying the Premises on a month-to-month tenancy only, at a monthly rental equal to the Rent, which is payable or accrues hereunder on an Installment or monthly periodic basis, but nothing contained in this Article shall be construed to limit or impair any of Landlord's rights of re-entry or eviction or constitute a waiver thereof;

(b) Any such month-to-month tenancy may be terminated by Landlord or Tenant on the last day of any calendar month by delivery of 30 days' advance notice of termination to the other; and

(c) Any such month-to-month tenancy shall be subject to all other terms and conditions of this Lease except any right of extension or renewal; except any right of Tenant to require, after the expiration or earlier termination of this Lease, any reconciliation, adjustment or repayment of amounts paid or payable on an estimated or contingent basis, which amounts, or any part thereof, may, at the option of Landlord, be deemed final payments or accruals in respect of the month for which they are paid or due; and except that Landlord, at its option, may resort to Section 2.1(b) as if the date of expiration or earlier termination and the first day of every month thereafter was a date set for review.

ARTICLE 16
AMENDMENT AND WAIVER

16.1 Amendment or Modification. No amendment, modification, or supplement to this Lease shall be valid or binding unless set out in writing and executed by the parties hereto In the same manner as the execution of this Lease.

16.2 No Implied Surrender or Waiver. No provisions of this Lease shall be deemed to have been waived by a party unless such waiver is in writing signed by that party. A party's waiver of a breach of any term or condition of this Lease shall not prevent a subsequent act or omission which would have originally constituted a breach, from having all the force and effect of any original breach. Landlord's receipt of Rent with knowledge of a breach by Tenant of any term or condition of this Lease shall not be deemed a waiver of such breach. Landlord's failure

to enforce against Tenant or any other tenant any rule or regulation made under Article 11 shall not be deemed a waiver of such rule and regulation. No act or thing done by Landlord, its agents or employees during the Term, without limitation including inspection, repair, re-entry, or sale or leasing (or attempts thereat) of all or any part of the Premises shall be deemed a constructive termination of this Lease or an acceptance of a surrender of the Premises, or an eviction of Tenant or a breach of the covenant of quiet enjoyment and no agreement to accept a surrender of the Premises shall be valid, unless in writing signed by Landlord. The delivery of keys to any of Landlord's agents or employees shall not operate as a termination of this Lease or a surrender of the Premises. No payment by Tenant, or receipt by Landlord, of a lesser amount than the Rent due hereunder shall be deemed to be other than on account of the earliest stipulated Rent, nor shall any endorsement or statement on any cheque or any communication accompanying any cheque, or payment of Rent be deemed to be other than on account of the earliest stipulated Rent, nor shall any endorsement or statement on any cheque or any communication accompanying any cheque, or payment of Rent, be deemed an accord and satisfaction, and Landlord may accept such cheque or payment without prejudice to Landlord's right to recover the balance of such Rent or pursue any other remedy available to Landlord. The acceptance by Landlord of Rent or any installment or proportion of Rent from any person other than Tenant shall not be construed as a recognition or acceptance of the right of such person to use or occupy the Premises, nor as a waiver of any of Landlord's rights hereunder.

ARTICLE 17
INTERPRETATION

17.1 Time. Time is of the essence of this Lease and every part hereof and schedule hereto.

17.2 Obligations as Covenants. Each obligation of Tenant expressed In this Lease, even though not expressed as a covenant, is considered to be a covenant for all purposes.

17.3 Severability. Should any provision of this Lease be or become invalid, void, illegal or not enforceable, it shall be considered separate and severable from the lease and the remaining provisions shall remain in force and be binding upon the parties hereto as though such provision had not been inserted.

17.4 Governing Law. This Lease shall be interpreted under and is governed by the laws of the jurisdiction in which the Land is located.

17.5 Grammatical Conformance. The necessary grammatical changes required to make the provisions of this Lease apply to all genders and to corporations, associations, partnerships, or individuals, and in the plural sense where a party may comprise more than one entity, will be assumed In all cases as though in each case so fully expressed.

17.6 Headings and Captions. The indices, article headings, and section headings are inserted for convenience of reference only and are not to be considered when interpreting this Lease.

17.7 Extended Meanings. The words ‘hereof, ‘herein” and similar expressions used in any Article, Section or paragraph of this Lease relates to the whole of this Lease and not to that Article, Section or paragraph only, unless otherwise expressly provided.

ARTICLE 18
CONTRACTUAL

18.1 Entire Agreement. The Offer to Lease and this Lease together contain the entire agreement between Landlord and Tenant concerning the Premises and the subject matter of this Lease, and Tenant acknowledges that it has not relied upon any representations, warranties, covenants, agreements, conditions or understandings except such as are set out in the Offer to Lease and this Lease. In the event of an inconsistency between the provisions of the Offer to Lease and the provisions of this Lease, the provisions of this Lease shall govern.

18.2 Relationship of Parties. Nothing contained in this Lease shall create any relationship between the parties hereto other than that of lessor and lessee, and it is acknowledged and agreed that Landlord does not in any way or for any purpose become a partner of Tenant in the conduct of its business, or a member of a joint or common enterprise with Tenant.

18.3 Joint and Several Liability. If Tenant hereunder comprises more than one person or corporation then all representations, warranties, conditions, covenants and undertakings of each and all such persons and corporations on the part of Tenant shall be joint and several representations, warranties, conditions, covenants, agreements and undertakings.

18.4 Successors. Except as otherwise provided, the covenants, terms and conditions contained in this Lease shall apply to the benefit of and bind the heirs, executors, administrators, successors, and assigns of the parties hereto.

18.5 Registration. Tenant may register a short form notice of this Lease in the Land Title Office at its expense which shall not contain the business terms hereof. Such short form of this Lease shall be in a form approved by Landlord. Landlord shall ensure that the Premises are contained on a separate legal title.

18.6 Division of Project.

(a) Landlord shall be entitled to sever the GLENLYON Business Park, including the Land, into separate parcels, or to consolidate the Land with other parcels, and after completion of such severance or consolidation the definitions of “GLENLYON Business Park”, “Premises”, “Building”, “Land” and ‘Project” shall be read to correspond to such change. The separate parcels of the GLENLYON Business Park on severance may be owned by or may be treated as if they were owned by separate entities other than Landlord. Landlord may in its discretion create and grant rights and easements among separate parcels or Project Components and may register same as encumbrances.

(b) (i) Landlord may from time to time, if in the opinion of Landlord more efficient or economical operation of the Project or more equitable distribution of Operating Costs will result, establish Project Components (of which any or all of the Premises, the Building and the Land may be one) and divide, apportion, and allocate Operating Costs among such Project Components.

(ii) In any such division, apportionment and allocation of Operating Costs, Landlord shall charge any item which relates exclusively to one of the Project Components directly to that Project Component only, and, in respect of items which do not exclusively relate to any single Project Component Landlord shall divide, apportion and allocate same to all Project Components affected thereby, on an equitable basis having regard, without limitation, to the various uses and values of the subject Project Components, to prudent practices of property management, to the provisions of this Lease, and to generally accepted accounting and engineering principles. The aggregate of all Operating Costs so directly charged or divided, apportioned and allocated to the Premises, the Building or the Land is to form part of Building Costs.

(iii) If such treatment would result in a more equitable and compatible recognition of the cost of their respective usage, Landlord may similarly, mutatis mutandis, charge, divide apportion and allocate Operating Costs, Building Costs, or Project Costs, among office, retail, warehouse, and other differing elements of the Project.

18.7 Lease Letter of Credit. The parties acknowledge that, pursuant to Section 5.3 of the Offer to Lease, Tenant is obligated in each of the first 5 years of the Term, to deliver to Landlord's solicitors the Lease Letter of Credit, as defined in the Offer to Lease, all on such terms as are set out in said Section 5.3.

Tenant hereby accepts this Lease of the Premises, to be held by it as Tenant subject to the covenants, conditions, and restrictions set forth herein and implied. Tenant's taking of possession of all or any portion of the Premises shall be conclusive evidence as against Tenant that the Premises or such portion thereof of which possession is taken are in satisfactory condition on the date of taking possession, subject only to latent defects and to deficiencies (if any) listed in writing in a notice delivered by Tenant to Landlord not more than 60 days after the later of the date of taking possession or the Commencement Date.

IN WITNESS WHEREOF, LANDLORD AND TENANT HAVE EXECUTED AND DELIVERED THIS LEASE BY AUTHORIZED SIGNATURES, AND BY AFFIXING CORPORATE SEALS WHEN APPLICABLE, EFFECTIVE THE DATE INDICATED ON PAGE 1 OF THIS LEASE AGREEMENT.

THE CORPORATE SEAL of TENANT, INEX PHARMACEUTICALS CORPORATION, was hereto affixed in the presence of:)

_____)

_____)

c/s

THE CORPORATE SEAL of LANDLORD, CANADA LANDS COMPANY CLC LIMITED, was hereto affixed in the presence of:)

_____)

_____)

c/s

APPROVED AS TO FORM

_____

Legal Advisor
to Canada Lands Company CLC Limited
Bull, Housser & Tupper
Barristers & Solicitors
3000 - 1055 West Georgia Street
Vancouver, B.C. V6E 3R3

SCHEDULE 1A

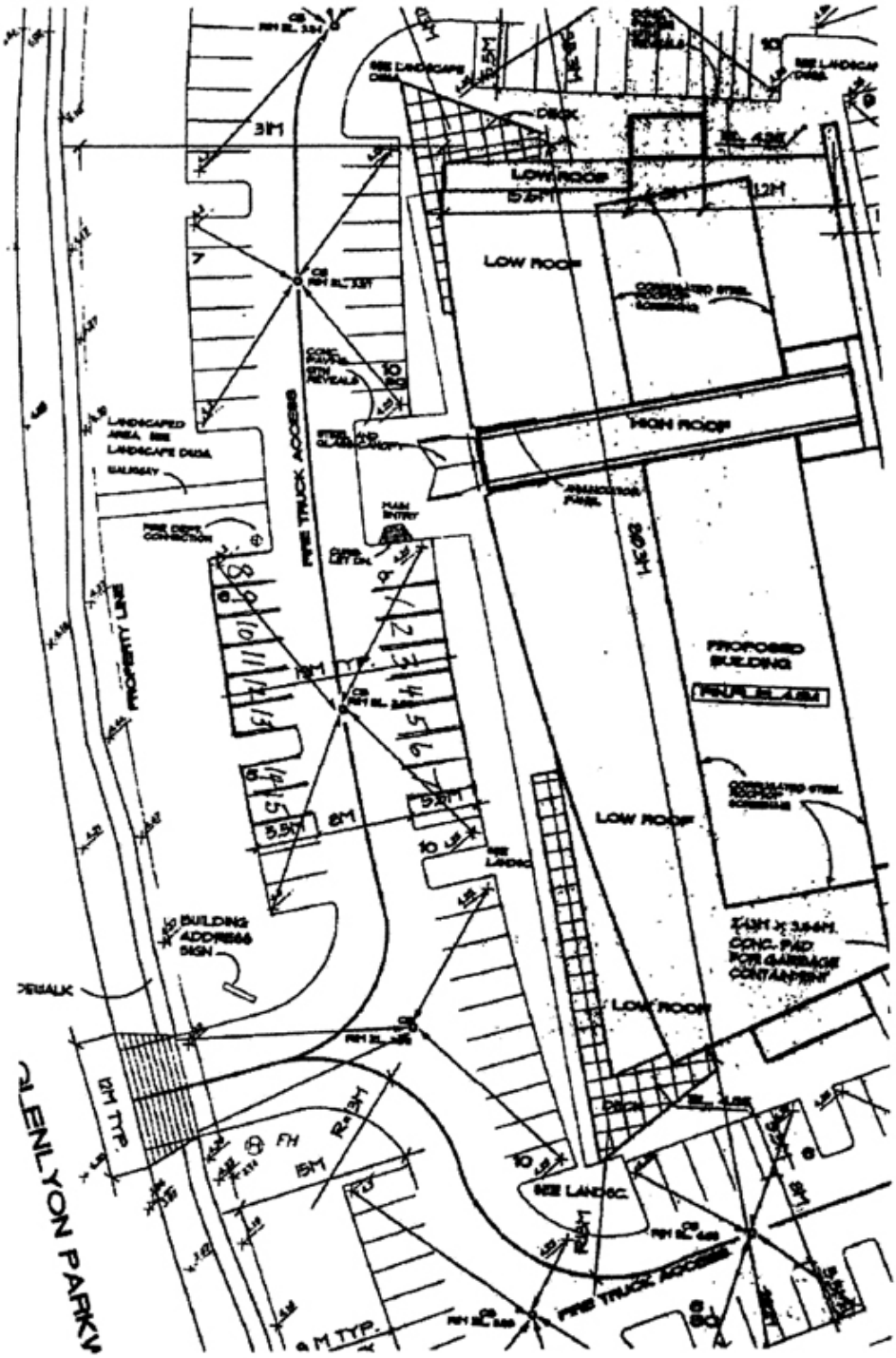
PLAN OF PREMISES

SCHEDULE 1B

PLAN OF LAND

SCHEDULE 1C

SKETCH PLAN OF RESERVED PARKING STALLS



SCHEDULE 2

PROJECT SUPPLEMENT

PART ONE - DEFINITIONS

1. In this Lease, unless the context otherwise requires:

Annual Rent	means the amount so identified on Page 1 of this Lease.
Architect	means such firm of independent professional architects or engineers engaged by Landlord from time to time in regard to the Project, including any consultant appointed by the Landlord or Architect.
Article	means an Article of this Lease.
Building	means that building so identified on Page 1 of this Lease.
Building Common Areas	means all of the Common Areas of the Building and Land that are part of or within the Building.
Building Costs	has the meaning prescribed in Clause 1 of Part Two of this Schedule and in Section 18.6 of this Lease.
Building Share	has the meaning prescribed in Clause 2 of Part Two of this Schedule.
Clause	means a numbered subdivision of a Part of this Schedule.
Commencement Date	means the date so identified on Page 1 of this Lease.
Common Areas	means the Common Areas of the Building and Land, and the Common Areas of the Project.
Common Areas of the Building and Land	means at any time those portions of the Building and the Land which are not leased or designated for lease by Landlord to tenants but are provided (and which may be changed from time to time) to be used directly or indirectly in common by Landlord, Tenant, and other tenants of the Building (or by the subleasees, agents, employees, customers or licensees of Landlord, Tenant and such other tenants) whether or not the same are open to Tenant, such other tenants or the general public, and may, without limiting the generalities aforesaid, Include any improvements, fixtures, chattels, equipment, systems, decor, signs, facilities, utilities, landscaping, pedestrian and vehicular exits and entrances, roads, driveways, open-space areas, medians, islands, courtyards, passageways, hallways, stairways, public washrooms, elevators, and pedestrian walkways, that are contained in the Building or on the Land, excluding the Common Areas of the Project forming part of the Lands.

Common Areas of the Project	means at any time those portions of the Project (but not including Common Areas of the Building and Land) which are not leased or designated for lease by Landlord (or other owners of lands In the Project from time to time) to tenants but are provided (and which may be changed from time to time) to be used directly or indirectly in common by Landlord, such other owners, Tenant, and other tenants of the Project (or by the subleasees, agents, employees, customers or licensees of Landlord, such other owners, Tenant and such other tenants) whether or not the same are open to Tenant, such other tenants or the general public, and may, without limiting the generalities aforesaid, include any improvements, fixtures, systems, decor, signs, facilities, utilities, landscaping, pedestrian and vehicular exits and entrances, roads, driveways, park and open- space areas, medians, islands, boulevards, ponds, creeks and appurtenances relating thereto (including creek beds, creek crossings, creek culverts, Inlet and outlet structures, flood-gates, headwalls, bridges, flood devices, wells and pumps), treatment plants, service centres, courtyards, stairways, public washrooms, elevators, escalators, urban trails, pedestrian walkway systems, bus stops and transportation facilities, that service the Project or other public facility for which Landlord is subject to provide for the benefit of the occupants of the Project from time to time In its capacity as owner, or manager, of the Project, but excluding areas for the exclusive use of one or more occupants of the Project or its agents, employees, customers, invitees or licensees and excluding any health or exercise club or similar luxury service.
Fiscal Year	means a twelve month period from time to time determined by Landlord at the end of which Landlord's financial statements for the Project are prepared and audited.
GLENLYON Business Park	means the business park located within the Big Bend area of the Fraser River in South Burnaby, British Columbia on lands currently owned by Landlord and including those portions of such lands as may be designated from time to time by Landlord or others with responsibility for managing the business park for the owners of such lands from time to time.
Land	Land means the portion of GLENLYON Business Park on which the Building is situate and which is shown outlined in red in Schedule 1B attached hereto.
Landlord	means that party or parties so identified on Page 1 of this Lease and its or their successors and assigns.
Landlord's Improvements	has the meaning ascribed in Section 1.1 of the Offer to Lease.

Lease	means this lease document (including without limitation all of its schedules, attachments and appendices) and every properly executed instrument which by its terms amends, modifies, or supplements it.
Leasehold Improvement	has the meaning prescribed in Section 3.16(b) of this Lease.
Normal Business Hours	means the hours from 7:00 a.m. to 7:00 p.m. Monday through Friday, excluding days which are legal or statutory holidays In the jurisdiction where the Project is located, or such other reasonable hours as Landlord may stipulate from time to time in respect of one or more or all Project Components.
Offer to Lease	means that certain Offer to Lease dated July 4, 1996 between Tenant and Landlord referred to in Section 18.1 of this Lease, a copy of which Offer to Lease is annexed hereto as Schedule 3, as such may be amended by the Landlord and Tenant.
Operating Costs	has the meaning defined, distinguished, prescribed or identified in Part Two of this Schedule.
Other Buildings	means any building or buildings existing in GLENLYON Business Park from time to time containing premises that are leased or intended to be leased to tenants, but excluding the Building.
Other Charges	means all amounts other than Annual Rent and Operating Costs, which are payable by Tenant under this Lease, without limitation including Outlays.
Other Lands	means any land existing in GLENLYON Business Park from time to time that is leased or intended to be leased to tenants, but excluding the Land.
Outlays	means any and all costs of any nature or kind whatsoever, reasonably incurred by Landlord as a direct or indirect result of failure by Tenant to perform its obligations under this Lease, or for account of Tenant pursuant to this Lease.
Permitted Use	means the permitted and restricted usage Identified on Page 1 of this Lease.
Premises	means the space so identified on Page 1 of this Lease (approximately shown in outline on Schedule 1A), having the agreed area shown on Page 1.

Project	means GLENLYON Business Park and all improvements and buildings (without limitation including the Building, Other Buildings, Common Areas of the Project, Land, Other Lands and any other Project Components) and all equipment of the Project, all utilities servicing the Project and all other services, facilities and systems erected thereon or situate therein from time to time (without limitation including utility facilities) together with all such other land, park or open space areas, entrances, exits, circulation space, pedestrian walkway systems, ponds, service centres, easements, licenses, leases or rights (if any) contiguous, convenient, neighbouring, adjacent or appurtenant to the GLENLYON Business Park, and like improvements, buildings, equipment, utilities, services, facilities and systems thereon or therein, which Landlord may from time to time own, develop, operate or manage as an entity integrated with or servicing, in whole or in part, the GLENLYON Business Park.
Project Components	means the segments of the Project (of which any or all of the Premises, the Building and the Land may be one and which together comprise the whole Project) which may be designated by Landlord from time to time.
Project Costs	has the meaning prescribed in Clause 1 of Part Two of this Schedule and in Section 18.6 of this Lease.
Project Share	has the meaning prescribed in Clause 2 of Part Two of this Schedule.
Rent	means the aggregate of all amounts payable by Tenant to Landlord under this Lease for and relating to, but not limited to (a) Annual Rent; (b) Operating Costs; and (c) Other Charges.
Rentable Area	has the meaning determinable from Clause 3 of Part Two of this Schedule.
Section	means any numbered subdivision of an Article.
Special Tenant Improvements	has the meaning ascribed in Section 7.2 of the Offer to Lease.
Structural Defects	means any repairs, changes or alterations required to be made to the foundations, concrete or steel columns, bearing walls, roof joists and decking (excluding membrane) and floor decks or slabs of the Building as a result of defects in the original construction of the Building or portions thereof by the Landlord whether caused by defects in materials or workmanship.
Taxes	means Taxes of Common Areas of the Project and Taxes of Building.

Taxes of Common Areas of the Project	means the aggregate of all taxes, duties and imposts, without limitation including property, school, and local Improvement taxes, rates, charges, levies, assessments and capital taxes, payable by Landlord and imposed by any competent governmental authority upon or in respect of the Common Areas of the Project and all improvements thereon or services therein or on account of its ownership thereof, and any other amounts which are imposed in lieu of, or in addition to any such taxes, whether of the foregoing character or not and whether in existence at the Commencement Date or not, together with all expenses incurred by Landlord in contesting in good faith the imposition, amount or payment of any of them; but excluding any income, profits, excess profits, and business tax imposed upon the income of Landlord and any other impost of a similar nature charged or levied against Landlord, except to the extent that such is levied in lieu of taxes, rates, charges, or assessments in respect of the Common Areas of the Project or improvements thereon, or the ownership or operation thereof by the Landlord.
Taxes of Building	means the aggregate of all taxes, duties and imposts, without limitation including property, school, and local improvement taxes, rates, charges, levies, assessments and capital taxes, payable by Landlord and imposed by any competent governmental authority upon or in respect of the Building or the Land and all improvements thereon or services therein or on account of its ownership thereof, and any other amounts which are imposed in lieu of, or in addition to any such taxes, whether of the foregoing character or not and whether in existence at the Commencement Date or not, together with all expenses incurred by Landlord in contesting in good faith the imposition, amount or payment of any of them; but excluding any income, profits, excess profits, and business tax imposed upon the Income of Landlord and any other impost of a similar nature charged or levied against Landlord, except to the extent that such is levied in lieu of taxes, rates, charges, or assessments in respect of the Building or the Land or improvements thereon, or the ownership or operation thereof by the Landlord.
Tenant	means that party or parties so identified on Page 1 of this Lease.
Tenant's Improvements	has the meaning prescribed in Section 7.1 of the Offer to Lease.
Tenant's Property	has the meaning prescribed in Section 3.15(b) of this Lease.
Term	means the period of time so identified on Page 1 of this Lease.

2. (a) "Unit of Area" means a conventional component of expressing or measuring the aggregate area of space, denoted either in square metres (metric system) or square feet (imperial system) or computed in the equivalent relationship or conversion of one to the other, In all cases limited to two decimal figures, and "Units of Area means more than one Unit of Area.

(b) The Landlord may for any purpose of this Lease, without limitation including any measurement of rentable area or any formula prescribed In this Lease, substitute, or convert any Unit of Area and any and all Units of Area using conversion factors of .0929 square feet to square metres and 10.7639 square metres to square feet.

PART TWO - OPERATING COSTS

1. For the purposes of this Lease and subject to the provisions of Section 18.6:

Operating Costs means Building Costs and Project Costs.

Building Costs means the total of all costs, charges, expenses, fees, rentals, disbursements and outlays of every kind paid, payable, accrued or incurred during the Fiscal Year in respect of any and all of the Building, the Land, and Common Areas of the Building and Land (excluding any Common Areas of the Project on the Lands), including without limitation the aggregate amount, without duplication, of all costs and charges, expenses, fees, rentals, disbursements and outlays of every kind paid, payable, accrued or incurred during the Fiscal Year in providing, operating, supervising, securing, repairing, managing, administering or maintaining all or any part of the Land or the Building as a first class facility, including overseeing activities of Tenant on the Premises, including overseeing all improvements, additions and changes by Tenant to the Premises and Landlord's costs of staff and overhead where Landlord elects, as provided herein, to provide, operate, supervise, secure, repair, manage, administer or maintain the Premises or any part thereof, all as established in accordance with generally accepted accounting principles, Including without limitation:

(a) all salaries, wages, fringe benefits, severance pay and termination payments paid to or for all personnel, including supervisory personnel and managers, to the extent that they are employed by the Landlord (or a person with which it does not deal at arm's length) In connection with the maintenance, repair, operation, administration, or management of the Land, the Building, or any part of them, and amounts paid to professionals and Independent contractors, including any management companies, for any services provided in connection with the maintenance, repair, operation, administration or management of the Land, the Building, or any part of them; professionals and Independent contractors, including any management companies, for any services provided in connection with the maintenance, repair, operation, administration or management of the Land, the Building, or any part of them;

(b) the applicable amortization (properly allocable to such fiscal year) of all costs incurred after the date any space in the Premises was first occupied by the Tenant for:

(i) any capital improvement to the Premises or the Common Areas of the Building and Land required by any change in the laws, rules, regulations or orders of any governmental or quasi-governmental authority having jurisdiction, or incurred by Landlord principally to reduce Building Costs, or

(ii) any replacement, not charged to Building Costs in the year in which incurred, of any equipment, floor covering or system in the Premises or the Common Areas of the Building and Land, or

(iii) any repairs, including without limitation structural repairs and repairs to the exterior, roof or equipment of the Building not charged to Building Costs in the year in which it was incurred,

which costs shall be amortized over the useful life of the subject capital improvement, replacement or repair;

(c) all costs for the provision, operation, maintenance, repair and replacement of services to the Common Areas of the Building and Land including, without limitation, all on-site and off-site improvements, fixtures, chattels, equipment, systems, decor, signs, facilities, utilities, landscaping and pedestrian and vehicular passageways;

(d) all other costs of repairs, maintenance and replacements to the Common Areas of the Building and Land without limitation Including painting, renovations, repair and replacement of carpet, snow clearing, gardening and landscaping, costs of providing security, supervision, traffic control, janitorial, window cleaning, waste collection, disposal and recycling and the costs of machinery, supplies, tools, equipment and materials used in connection therewith;

(e) the total of the costs and amounts paid for all gas, steam or other fuel used in heating and cooling the Common Areas of the Building and Land, all electricity furnished to the Common Areas of the Building and Land (except for electricity furnished to and paid for by individual tenants), all hot and cold water, telephone and other utility costs used in the operation, supervision, repair, security and maintenance of the Land or the Common Areas of the Building and Land (except where any of these is chargeable to individual tenants by reason of their extraordinary consumption), sewage disposal and other utilities and costs of replacing building standard electrical light fixtures, ballast, tubes, starters, lamps, light bulbs and controls in the Common Areas of the Building and Land;

(f) all costs of insuring the Land and the Building and the improvements, equipment, and other property on the Land or in the Building and such other insurance in respect of the Land and the Building as Landlord may from time to time reasonably determine;

(g) audit fees and the cost of accounting services incurred in the preparation of the Statements required to be furnished by Landlord pursuant to this lease, and in the computation of Rent and other charges payable by Tenant;

(h) sales, goods and services and excise or other taxes on goods and services provided by or on behalf of the Landlord in connection with the maintenance, repair, supervision, securing, operation, administration or management of the Land and the Building net of input tax credits, refunds or rebates (to the extent the Landlord receives and utilizes same);

(i) Taxes of Building (except where same are paid by individual tenants pursuant to Section 4.3 and 4.5 of this Lease);

(j) capital tax, if applicable, being the applicable amount (as hereinafter defined) of any tax or taxes levied against the Landlord by any governmental authority having jurisdiction based upon or computed by reference to the paid-up capital or place of business of the Landlord as determined for the purposes of such tax or taxes; and for the purpose of this paragraph the phrase "applicable amount" of such tax or taxes means the amount of tax that would be payable if the Building were the only establishment of the Landlord;

(k) INTENTIONALLY DELETED

(l) an appropriate allocation of the fair market rental value (having regard to Rent being charged for similar rental space) of space at GLENLYON Business Park used by the Landlord, acting reasonably, in connection with the maintenance, repair, operation, administration and management of the Land and the Building and other premises and lands in the GLENLYON Business Park;

(m) management fees or management agent fees and administrative charges of a management company, if any, for the Land and the Building or any part of them or, if the Landlord chooses to manage the Land and the Building or any part of them through itself or through a company or other person with whom it does not deal at arm's length, a management fee to the Landlord in an amount such that Tenant's Building Share of such amount will equal 3.5% of the gross amount of Tenant's Rent for that year; and

(n) the cost of implementing and maintaining a contract for the regular maintenance of certain components of the Land and the Building as may be designated, as herein provided, from time to time by Landlord including the roof, elevators and heat, ventilation and air conditioning system and all salaries, wages, fringe benefits paid to or for all personnel, including supervisory personnel and managers, and all costs of obtaining such personnel, to the extent that they are employed by the Landlord (or a person with which it does not deal at arm's length) in connection with the maintenance, repair, supervision, securing, operation, administration, or management of the Land, the Building or any part of them, and amounts paid to professionals and independent contractors, for any services provided in connection with the maintenance, repair, supervision, securing, operation, administration or management of the Land, the Building, or any part of them;

but the following costs shall be specifically excluded:

(i) Outlays and any equivalent outlays for other tenants in the Building;

(ii) repair and replacement resulting from inferior or deficient design, workmanship, or materials in the initial construction of the Building that is covered by contractor's or manufacturer's warranties or for which Landlord is reimbursed by insurers;

(iii) interest on and capital retirement of debt;

(iv) repair or maintenance done for the direct account of other tenants and of unleased space;

(v) leasing commissions, leasing expenses and tenant's inducements;

(vi) any costs normally payable by way of operating expenses to Landlord but for which Landlord is or is entitled to be reimbursed or indemnified either by an insurer, another tenant in the Building, a contractor or otherwise;

(vii) depreciation of the Building or any part thereof;

(viii) Structural Defects;

(ix) costs of any service provided to, or expenses related to, tenants in the Building other than Tenant, if Tenant provides the same service to itself at its own expense under this Lease;

(x) construction of new capital improvements which are not repairs or replacements of a capital improvement then existing; and

(xi) any amounts payable pursuant to paragraphs (a), (m) and (n) above representing management fees, management agent fees and administrative charges of a management company or of other persons retained or employed pursuant to paragraph (a) to perform such functions, supervisory personnel and managers and generally in managing, administering and supervising shall be limited to the Tenant's Building Share specified in paragraph (m) without duplication.

Project Costs means the aggregate amount, without duplication, of all costs and charges, expenses, fees, rentals, disbursements and outlays of every kind paid, payable, accrued or incurred by or on behalf of Landlord, and other owners of lands in GLENLYON Business Park from time to time, in accordance with the Business Park Management Agreement and similar agreements pertaining to the common management of Glenlyon Business Park from time to time, during the Fiscal Year in operating, supervising, securing, repairing, managing, administering and maintaining the Common Areas of the Project in accordance with standards determined from time to time by parties responsible for the Common Areas of the Project, as established in accordance with generally accepted accounting principles and confirmed in a certificate of Landlord or other parties responsible for the Common Areas of the Project, including without limitation:

(a) all salaries, wages, fringe benefits, severance pay and termination payments paid to or for all personnel, including supervisory personnel and managers, to the extent that they are employed by Landlord or other parties responsible for the Common Areas of the Project (or a person with which it does not or they do not deal at arm's length) In connection with the maintenance, repair, supervision, securing, operation, administration or management of the Common Areas of the Project or any part of them, and amounts paid to professionals and independent contractors, including any management companies, for any services provided in connection with the maintenance, repair, supervision, securing, operation, administration or management of the Common Areas of the Project or any part of it;

(b) the applicable amortization (properly allocable to such fiscal year) of all costs incurred after the date any space in the Project was first occupied by any tenant for

(i) any capital improvement to then existing Common Areas of the Project required by any change in the laws, rules, regulations or orders of any governmental or quasi-governmental authority having jurisdiction, or incurred by Landlord or other parties responsible for the Common Areas of the Project principally to reduce Project Costs, or

(ii) any replacement, not charged to Project Costs in the year in which Incurred, of any equipment, floor covering or system in the Common Areas of the Project, or

(iii) any repairs, including without limitation structural repairs and repairs to the exterior, roof or equipment of the Common Areas of the Project not charged to Project Costs in the year in which it was incurred,

which costs shall be amortized over the useful life of the subject capital improvement, replacement or repair;

(c) all costs for the provision, operation, maintenance, repair and replacement of services to the Common Areas of the Project including, without limitation, all on-site and off-site improvements, fixtures, chattels, equipment, systems, decor, signs, facilities, utilities, landscaping and pedestrian and vehicular passageways, park or open space areas, medians, islands, boulevards, ponds, creeks and appurtenances thereto including creek crossings, creek culverts, all inlet and outlet structures, flood-gates, headwalls, bridges, flood devices, wells, pumps, treatment plants and service centres on GLENLYON Business Park and on such other land contiguous, convenient, adjacent, neighbouring or appurtenant to GLENLYON Business Park as Landlord or other parties responsible for the Common Areas of the Project may designate from time to time;

(d) all other costs of repairs, maintenance and replacements to the Common Areas of the Project, without limitation including painting, renovations, repair and replacement of carpet, snow clearing, gardening and landscaping, costs of providing security, supervision, traffic control, janitorial, window cleaning, waste collection, disposal and recycling and the costs of machinery, supplies, tools, equipment and materials used In connection therewith;

(e) the total of the costs and amounts paid for all gas, steam or other fuel used in heating and cooling the Common Areas of the Project, all electricity furnished to the Common Areas of the Project (except for electricity furnished to and paid for by individual tenants), all hot and cold water, telephone and other utility costs used in the operation, supervision, repair, security and maintenance of the

Common Areas of the Project (except where any of these is chargeable to individual tenants by reason of their extraordinary consumption), sewage disposal and other utilities and costs of replacing building standard electrical light fixtures, ballast, tubes, starters, lamps, light bulbs and controls;

(f) all costs of insuring the Common Areas of the Project and the improvements, equipment, and other property In the Common Areas of the Project and such other insurance in respect of the Project as Landlord or other parties responsible for the Common Areas of the Project may from time to time reasonably determine;

(g) audit fees and the cost of accounting services incurred in the preparation of the Statements required to be furnished by Landlord pursuant to this lease, and in the computation of Rent and other charges payable by tenants of the Project;

(h) sales, goods and services and excise or other taxes on goods and services provided by or on behalf of Landlord or other parties responsible for the Common Areas of the Project in connection with the maintenance, repair, supervision, securing, operation, administration or management of the Common Areas of the Project net of input tax credits, refunds or rebates (to the extent received and utilized by the Landlord or other parties responsible for the Common Areas of the Project);

(i) Taxes of Common Areas of the Project;

(j) capital tax, if applicable, being the applicable amount (as hereinafter defined) of any tax or taxes levied against Landlord and other parties responsible for the Common Areas of the Project by any governmental authority having jurisdiction based upon or computed by reference to the paid-up capital or place of business of Landlord and other parties responsible for the Common Areas of the Project as determined for the purposes of such tax or taxes; and for the purpose of this paragraph the phrase ‘applicable amount” of such tax or taxes means the amount of tax that would be payable if the Common Areas of the Project were the only establishment of the Landlord and other parties responsible for the Common Areas of the Project without duplication of any other charges recoverable under this Lease;

(k) INTENTIONALLY DELETED

(l) the fair market rental value without duplication, (having regard to Rent being charged for similar rental space) of space at GLENLYON Business Park used by the Landlord or other parties responsible for the Common Areas of the Project, acting reasonably, in connection with the maintenance, repair, supervision, securing, operation, administration and management of the Common Areas of the Project; and

(m) management fees or management agent fees and administrative charges of a management company, if any, for the Common Areas of the Project or any part of it or, if the Landlord or any other party responsible for the Common Areas of the Project chooses to manage the Common Areas of the Project or any part of it through itself or through a company or other person with whom it does not deal at arm's length, a management fee to the Landlord or other parties responsible for the Common Areas of the Project in an amount comparable to that which would be charged by a first class real estate management company for management of common areas of similar business parks in the Greater Vancouver, British Columbia, area;

but the following costs shall be specifically excluded:

(i) Outlays and any equivalent outlays for other tenants in the Project;

(ii) repair and replacement resulting from inferior or deficient design, workmanship, or materials in the initial construction of the Common Areas of the Project that is covered by contractor's or manufacturer's warranties or for which Landlord or any other party responsible for the Common Areas of the Project is reimbursed by Insurers;

(iii) interest on and capital retirement of debt;

(iv) repair or maintenance done for the direct account of other tenants and of unleased space;

(v) leasing commissions, leasing expenses and tenant's inducements;

(vi) any costs normally payable by way of operating expenses to Landlord or other parties responsible for the Common Areas of the Project but for which Landlord or other parties responsible for the Common Areas of the Project is or is entitled to be reimbursed or indemnified either by an insurer, another tenant in the Project, a contractor or otherwise;

(vii) depreciation of any capital assets located on the Common Areas of the Project as of the Commencement Date;

(viii) Structural Defects;

(ix) construction of new capital improvements which are not repairs or replacements of a capital improvement then existing; and

(x) any amounts payable pursuant to paragraphs (a) and (m) of this "Project Costs" definition representing management fees, management agent fees and administrative charges of a management company or of other persons retained or employed pursuant to said paragraph (a) to perform such functions, supervisory personnel and managers and generally in managing, administering and supervising shall be limited to the amount provided for in said paragraph (m) without duplication.

2. For purposes of this Lease:

Building Share

(a) means (except as otherwise provided in Section (b) below) a fraction, the numerator of which is the Rentable Area of the Premises and the denominator of which is the Rentable Area of the Building.

(b) If any Building Costs are incurred that are directly attributable to Tenant or the Premises, or any other tenant of the Building, such costs will be allocated to the Tenant or other tenant and Tenant will pay the full amount of such Building Costs directly attributable to Tenant or the Premises. In sharing Building Costs Tenant shall be responsible only for costs relating to the Premises and for its Building share of Building Costs related to the Common Areas of the Building and Lands.

Project Share

(a) means a fraction, the numerator and the denominator of which shall be determined as follows:

(i) the numerator shall be the product of (A) the Rentable Area of the Premises multiplied by (B) the Total Area of the Land excluding Common Areas of the Project; and

(ii) the denominator shall be the product of (A) the Rentable Area of the Building multiplied by (B) the Total Area of GLENLYON Business Park excluding Common Areas of the Project.

(b) Provided that, if and whenever pursuant to Section 18.6 of this Lease, Landlord shall have established and designated Project Components in respect of Project Costs which pertain only to a Project Component, clause (B) of the denominator aforesaid shall be the total area of such areas comprising that Project Component.

(c) If and whenever the Building shall have been established and designated a Project Component, “Building Costs” shall include such amounts and have the meaning indicated in Section 18.6.

3. If not specified herein or otherwise by agreement determined, the following areas shall be defined and measured as below prescribed.

(a) **Rentable Area of the Premises**

Rentable Area of the Premises means all floor area of the Premises measured from the exterior face of the predominant building line in the case of exterior walls and to the centre of partitions that separate the Premises from adjoining premises or Building Common Areas and includes, without limitation, all stairways, passageways, mechanical rooms, washrooms, corridors and other facilities exclusively or primarily serving the Premises in whole or in part and a portion of the Building Common Areas being that ratio that the Premises bear to the Rentable Area of the Building less the Building Common Areas. There shall be no deductions for vestibules or other recessed areas inside the said predominant building line, or for columns, ducts, projections, or other structural elements necessary to the Building. A certificate of measurement stating the Rentable Area of the Premises, prepared by an Architect selected by Landlord, shall be final and binding on the parties as to the Rentable Area of the Premises.

(b) **Rentable Area of the Building**

Rentable Area of the Building means all floor area of the Building measured from the exterior face of the predominant building fine of the exterior walls of the Building and includes, without limitation, all stairways, passageways, mechanical rooms, washrooms, corridors and other facilities. There shall be no deductions for vestibules or other recessed areas inside the said predominant building line, or for columns, ducts, projections or other structural elements necessary to the Building. A certificate of measurement stating the Rentable Area of the Building, prepared by an Architect selected by Landlord, shall be final and binding on the parties as to the Rentable Area of the Building.

(c) **Total Area of the Land**

The Total Area of the Land shall be the total acres comprising the Land as determined by a duly accredited British Columbia surveyor conducting a survey of the Land for Landlord.

(d) **Total Area of GLENLYON Business Park**

The Total Area of GLENLYON Business Park shall be the total acres of land comprising GLENLYON Business Park from time to time as determined by a duly accredited British Columbia surveyor conducting a survey of GLENLYON Business Park for Landlord.

SCHEDULE 3

[Attach copy of Offer to Lease]

OFFER TO LEASE

Made by: INEX PHARMACEUTICALS CORPORATION
1779 West 75th Avenue
Vancouver, British Columbia
V6P 6P2 Fax: 264-9959

("Tenant")

To: CANADA LANDS COMPANY CLC LIMITED
2000 Park Place
666 Burrard Street
Vancouver, British Columbia
V6C 2X8 Fax: 685-1028

("Landlord")

For Premises In: GLENLYON BUSINESS PARK

Tenant, having inspected the sketch of the site and proposed building as shown on the plan attached Schedule "A" at the southeast corner of Glenlyon Parkway and North Fraser Way, currently unbuilt to be designed and constructed for the accommodation of the Tenant hereby offers to lease from Landlord a portion of such building upon the terms and conditions herein set out.

1.0 THE BUILDING & LAND

1.1 The Building shall be a 2 storey facility with approximately 43,000 square feet of Rentable Area comprised of 30,000 square feet of office/lab over two floors and 13,000 square feet of office space over two floors separated by a common atrium and elevator. There shall be 2 deck areas on the second floor one of which shall be for the exclusive use of the Tenant. The site is approximately 2.5 acres and irregular in shape. The Landlord and Tenant will use reasonable commercial efforts to agree on the preliminary design of the Building including preliminary plans, specifications and equipment (HVAC, power and natural gas) (collectively "Landlord's Improvements") based generally on Schedule "B" attached hereto on or before the expiration of 60 days following the execution of this Agreement by the parties or such later date agreed to by the parties ("Design Agreement Date"). It is a condition of this Offer that should the parties fail to agree on the Landlord's Improvements on or before the Design Agreement Date, this Offer shall be null and void (except for Section 21.5) and the Deposit shall be returned to the Tenant subject to Section 8.2 herein.

2.0 PREMISES

2.1 The Tenant shall lease approximately 30,000 square feet of rentable area on the main and second floor of the Building as shown outlined in red on the plan attached as Schedule "A" (the "Premises"). Rentable Area shall be as defined in the Lease and shall include all areas in the Building that are available for the exclusive use of the Tenant, its equipment and facilities including, without limitation, washrooms and corridors but excluding decks and balconies. Rentable Area shall also include a proportionate share of all areas in the Building that are available for use by the Tenant in common with other tenants which proportionate share shall be based upon the area of the Premises compared to the total area of the Building less such common area, to the intent that the Landlord recovers rent on the common areas of the Building. It is understood and agreed by Tenant that the Rentable Area of the Building shall be recalculated by the Landlord as evidenced by a surveyor's plan of the Building when the Building is sufficiently completed, and that upon such recalculation being made, the Annual Rent per square foot set forth in section 4.1 hereof shall be redetermined.

3.0 TERM

3.1 Subject to the provisions hereof, the term of the Lease shall commence 14 days after substantial completion of Landlord's Improvements and Tenant's Improvements (hereinafter defined), as determined by the Landlord's Architect and Tenant's Architect, acting reasonably, the estimated date of substantial completion being September 15, 1997 and the estimated Lease commencement date being October 1, 1997 (the "Commencement Date") and shall continue for a period of 15 years, the estimated expiration date being September 30, 2012 (the "Term"). The Landlord shall keep the Tenant regularly advised of the progress of the construction and shall give the Tenant at least 60 days prior notice of the Commencement Date.

3.2 The Tenant shall be entitled to use the 14 day period prior to the Commencement Date in order to move into the Premises ("Move-In-Period"), which period shall be provided free of annual basic rent, operating expenses and property taxes.

3.3 The Lease shall contain a provision allowing the Tenant to terminate the Term thereof at the expiration of the 10th year thereof by giving the Landlord written notice not less than 9 months prior to the conclusion of the 10th year.

4.0 RENT

4.1 Subject to the provisions hereof, the Annual Rent (as defined in the Lease) for the Premises shall be a sum calculated on the basis of a dollar amount per square foot of Rentable Area. The Annual Rent, based on a Rentable Area of approximately 30,000 square feet, throughout the Term shall, subject to section 2.1 hereof, be:

in years 1 to 10 inclusive of the Term, $14.25 per square foot (triple net) being an estimated Annual Rent of $427,500.

in years 11 to 15 inclusive of the Term, the effective fair market rent for the Premises determined as of the commencement of the 11th year of the Term, when compared to premises of similar size, quality and location in office buildings of a similar size, quality and location in the Greater Vancouver Regional District (but excluding any consideration for the Special Tenant Improvements (hereinafter defined)) and failing agreement thereon prior to 10 months before the conclusion of the 10th year of the Term, as determined by arbitration under the *Commercial Arbitration Act* of British Columbia (unless the Tenant has terminated the Term under the provisions of Section 3.3), not to be less than the Annual Rent for the preceding year.

4.2 Tenant acknowledges that there are common costs relating to the Building and the business park of which the Premises form a part, which include, without limitation, costs for operating, supervising, securing, repairing, managing and maintaining the common areas of the Building and the business park and that Tenant will be liable for a proportionate share of such costs, all as set out in the Lease.

4.3 In addition to Annual Rent, Tenant shall pay promptly when due all amounts payable pursuant to the Lease, including without limitation, paying to Landlord or third parties, the Operating Costs for the Premises and Other Charges, all as defined and provided in the Lease.

4.4 Tenant shall pay the rent herein set forth in advance without deduction in equal monthly installments to be made on the first day of each and every month during the Term.

5.0 DEPOSIT AND LETTERS OF CREDIT

5.1 Upon acceptance of this Offer to Lease, the Tenant shall deliver to Landlord a rent deposit (the "Deposit") in an amount equal to $76,237.50 being the estimated rent for the first 2 months, including Goods and Services Tax ("GST") of the Term. All interest accrues to the Tenant prior to the Commencement Date. Subject to Section 8.2 the Deposit together with interest shall be held by the Landlord's solicitors, Bull, Housser & Tupper as stakeholder and delivered:

(a) to Tenant if the conditions to which this Offer to Lease is subject are not satisfied; or

(b) to Landlord on the Commencement Date to be applied against the first rent due under the Lease; or

(c) to Landlord if the Tenant is in default of any of its obligations herein without limiting any claim by the Landlord for damages for such default.

5.2 Upon agreement by the Landlord and Tenant on the Landlord's Improvements by the Design Agreement Date, the Tenant shall deliver to the Landlord's solicitors, an irrevocable stand-by letter of credit (the "Design Letter of Credit") in favour of the Landlord the amount of which shall be $425,000 based on the estimated costs for third party pre-construction services requisitioned by the Landlord including, without limitation, drawings and permits incurred after the Design Agreement Date and site preparation costs. In the event that the Tenant defaults in any obligation herein and the default is not cured as provided in this Agreement, then the Design Letter of Credit shall be presented for payment and the funds realized thereon including interest earned thereon shall be applied against all costs and expenses incurred by the Landlord in relation to this Offer to Lease (excluding those expenses that were incurred for products, services or improvements (including preload) that the Landlord determines, acting reasonably, will benefit a subsequent project, if any, on the site, without limiting any claim by the Landlord for damages for such default. The aforesaid expenses shall also include the cost of drawings in the

event that the Landlord should enter into a conditional agreement for lease of the Building within 9 months from the date of the Tenant's default and the conditions to which such agreement is subject are thereafter removed, whereupon the Landlord shall reimburse the Tenant for the cost of such drawings). If the Design Letter of Credit is not presented for payment under the foregoing provisions it shall be returned to the Tenant forthwith after the Lease Letter of Credit has been deposited in accordance with the provisions herein.

5.3 Tenant shall in each of the first 5 years of the Term, respectively, deliver to Landlord's solicitors, an irrevocable stand-by letter of credit (the "Lease Letter of Credit") in favour of Landlord. The amount of the Lease Letter of Credit shall be calculated on $20.00 per square foot of Rentable Area, for the initial 3 years of the lease after which it will be reduced by 1/3 for the 4th year and by 1/2 of the then remaining amount for the 5th year.

The Lease Letter of Credit for the first year of the Term shall be $600,000 based on the estimated Rentable Area of the Premises and shall be delivered by the Tenant prior to commencement of construction of the Building. Thereafter the Lease Letter of Credit shall be renewed annually prior to the expiry date of the Lease Letter of Credit. The parties acknowledge that the duties of the Landlord's solicitors as holder of the Lease Letter of Credit are limited to the express terms of their undertakings, such undertakings to be outlined in Schedule "C" attached to this Offer and if Tenant defaults under any of its obligations under this Offer to Lease or under the Lease and the default is not cured as provided in this Offer to Lease or the Lease, the Lease Letter of Credit shall be presented for payment and paid and the funds realized thereon including interest earned thereon, shall be held in trust and dealt with as provided in such undertakings (without in any way limiting the amounts recoverable from Tenant for default). Tenant consents to the Landlord's solicitors continuing to act as solicitors for Landlord notwithstanding that they are a stakeholder hereunder.

6.0 PLANS AND SPECIFICATIONS

6.1 The Landlord and Tenant, in conjunction with the Landlord's Architect and the Tenant's Architect, will use reasonable commercial efforts to agree upon the Landlord's Improvements based generally on Schedule "B" attached hereto by the Design Agreement Date. The Landlord shall select the Landlord's Architect, mechanical and electrical design consultants before the Design Agreement Date, with the approval of the Tenant, not to be unreasonably withheld. The Tenant shall select the Tenant's Architect, with the approval of the Landlord, not to be unreasonably withheld. When the Landlord's Improvements have been agreed upon, they shall not be modified in any material respect except as may be required by building code and except where such modification does not change the quality and functionality of the Building. It is acknowledged that the Annual Rent has been based upon the Landlord's Improvements that have been agreed upon. The Landlord shall use reasonable commercial efforts to keep Tenant's representative informed of all such modifications.

7.0 TENANT'S IMPROVEMENTS AND TENANT IMPROVEMENT ALLOWANCE

7.1 The Landlord shall provide the Tenant's leasehold improvements ("Tenant's Improvements") and shall pay the cost of same to a maximum of $30.00 plus GST per square foot of Rentable Area, including, without limitation, the Landlord's supervision fee to be determined by the Design Agreement Date ("Tenant Improvement Allowance"). The Tenant shall pay the cost of the design fees for the Tenant's Improvements separately from the Tenant Improvement Allowance. Should there be any unused portion of the Tenant Improvement Allowance, it shall be applied firstly against the cost of the Special Tenant Improvements and then against the first rent that is due under the Lease. The Landlord shall complete the construction of the Tenant's Improvements (other than Special Tenant Improvements undertaken by others as contemplated by Section 7.2) using methods to ensure that the Tenant is getting competitive pricing and quality construction for the Tenant's Improvements. The acceptance of this Offer is conditional upon both parties agreeing to competitive pricing methods for the Tenant's Improvements, on or before the Design Agreement Date. Failure by both parties to agree by this date shall render this Offer null and void (except Section 21.5) and the Deposit shall be returned to the Tenant subject to Section 8.2.

7.2 The Tenant requires special improvements that are unique to the Tenant's business operations that are in excess of standard office building improvements for similar buildings in the Greater Vancouver Regional District ("Special Tenant Improvements") including commercial research laboratories and a clean room, which shall be included in Tenant's Improvements. In the event that Tenant engages consultants or contractors other than those used by Landlord to perform any improvements including the Special Improvements, their selection shall be subject to the prior approval of the Landlord and their work shall be subject to the co-ordination and approval of Landlord's consultants and the Landlord's Architect, at the cost of the Tenant, such approval not to be unreasonably withheld.

7.3 The Tenant shall be responsible for the cost of working drawings for Tenant's Improvements and the Landlord's Architect shall coordinate with the Tenant's Architect to facilitate such working drawings.

8.0 IMPROVEMENTS

8.1 Landlord shall complete the Building in accordance with the approved plans and specifications for Landlord's Improvements and Tenant's Improvements. The Landlord shall select the general contractor with the approval of the Tenant, not be unreasonably withheld. The Tenant shall prepare the working drawings for the Tenant's Improvements for Landlord's approval not to be unreasonably withheld by the date that is 120 days after the Design Agreement Date and the Landlord shall use reasonable commercial efforts to complete Landlord's Improvements in coordination with Tenant's Improvements in accordance with Section 10.1 of this Offer.

8.2 In the event that:

(a) the Landlord and the Tenant do not reach an agreement on the Landlord's Improvements by the Design Agreement Date, or

(b) the Landlord and the Tenant do not reach an agreement the Lease or Schedule C under the provisions of Section 11.1 herein, or

(c) the Landlord and the Tenant do not reach an agreement on competitive pricing methods for the Tenant's Improvements, on or before the Design Agreement Date,

the Tenant and Landlord shall each be responsible for 50% of the total costs reasonably incurred cumulatively by the Landlord and the Tenant for design, specifications, and/or drawings of Landlord's Improvements and Tenant's Improvements from the date of execution of this Offer to Lease to the Design Agreement Date. If amounts are owed by the Tenant beyond what costs that had already been incurred by the Tenant, the amount owed shall be deducted from the Deposit. If amounts are owed by the Landlord beyond what costs that had already been incurred by the Landlord, the Landlord shall write a cheque for the amount owed to the Tenant.

8.3 Landlord shall construct Landlord's Improvements and Tenant's Improvements expeditiously in a good, workmanlike manner, in substantial accordance with the approved plans and specifications and in compliance with all laws, codes and regulations and such shall not be modified in any material respect except as may be required by building code and except where such modification does not change the quality or functionality of the Building. Any disagreement between the Landlord and Tenant shall be determined by the Landlord's Architect after consultation with the Tenant's Architect. Should compliance with laws, codes and regulations require a change from the approved plan and specifications, the Landlord shall notify the Tenant immediately. The Landlord shall use reasonable commercial efforts to keep Tenant's representative informed of all changes.

8.4 Landlord shall ensure that it obtains and enforces all customary contractor's and subcontractors' work and material warranties for the construction of Landlord's Improvements and Tenant's Improvements which shall include as a minimum a general warranty for 12 months from substantial completion from the general contractor.

8.5 Landlord shall, subject to seasonal deficiencies, complete landscaping of the entrance to the Building, access road to the Building and parking area of the Building concurrently with substantial completion of the Landlord's Improvements and Tenant's Improvements.

9.0 COVENANTS

9.1 Tenant covenants and agrees that it will pay the cost of all Tenant's Improvements in excess of the Tenant Improvement Allowance upon submission of invoices.

9.2 Subject only to the conditions, to which this Offer is subject, Tenant covenants and agrees that it will lease the Premises under the terms of the Lease, cooperate with the Landlord and take such action and give such approvals as are necessary so that the Landlord is able to construct the Landlord's Improvements and Tenant's Improvements in accordance with the terms hereof.

10.0 TERMS AND CONDITIONS OF LANDLORD'S IMPROVEMENTS AND TENANT'S IMPROVEMENTS

10.1 Landlord shall provide Landlord's Improvements and Tenant's Improvements in accordance with the following terms and conditions:

(a) The Landlord shall be diligent and use reasonable commercial efforts to obtain all required municipal and government approvals including the development permit and building permit, and shall promptly commence and with all reasonable expedition proceed with and complete Landlord's Improvements and Tenant's Improvements.

(b) If Landlord shall be delayed in completing Landlord's Improvements and/or Tenant's Improvements by reason of any unavoidable occurrences or delays (other than circumstances directly attributable to Landlord including its financial position), the time for performance or completion of the work so delayed and the Commencement Date shall be extended for the period in which such circumstances or occurrences operated to delay the fulfillment of such obligations and Tenant shall not be entitled to compensation for any inconvenience, delay or expense thereby occasioned.

(c) Subject to the foregoing subsection, if the Landlord is delayed, beyond the date that is 11 months after the date that the building permit for the Tenant Improvement issues, in completing Landlord's Improvements and Tenant's Improvements that are directly attributable to the Landlord, including its financial position, and not due to any delay caused by the Tenant, the Landlord will provide one day of free rent for each day beyond such date that the Commencement Date is delayed. The Landlord herein acknowledges that the Tenant will have hired staff and the signed research and development contracts and occurred such other costs that are customary with a laboratory setup and that any delay by the Landlord in delivering premises as contracted will have significant financial impact on the Tenant.

11.0 LEASE

11.1 If this Offer is accepted and the Tenant approves the Landlord's form of lease, the Tenant agrees to execute such form of lease, provided that such form of lease shall be modified to reflect the provisions of this Offer. The Tenant shall have until the expiry of 30 days after it receives a copy of the lease incorporating the terms of this Offer to approve such form of lease and Schedule "C" to be attached to this Offer. Should the Tenant not approve the Lease and/or Schedule "C", then it shall deliver written notice to that effect to the Landlord together with any requested changes to the Lease or Schedule "C" within the time specified above. In the event that the Landlord and the Tenant cannot agree to these changes, if any, by such date or such other date that the parties mutually agree to, then this Offer shall be null and void and (subject to Section 8.2) the Deposit shall be returned forthwith to the Tenant and neither party shall have

any further legal obligation to the other except Section 21.5 shall continue to bind the parties. Upon substantial completion of the Landlord's Improvements, Landlord agrees to complete and submit to Tenant 4 copies of the Lease incorporating therein the terms of this Offer to Lease, the Commencement Date, the Annual Rent and Rentable Area and Tenant shall promptly execute the Lease and return all copies thereof to Landlord but in any event prior to taking occupancy of the Premises whereupon Landlord shall execute the Lease and furnish 2 copies to Tenant. Subject to the conditions contained herein, this Offer to Lease and the agreed to form of lease shall be binding and enforceable between the parties prior to execution of the Lease itself.

12.0 USE OF PREMISES

12.1 The Premises shall be used only for the purposes of a pharmaceutical business and Tenant shall not carry on business therefrom other than with a name employing the name "Inex Pharmaceuticals" including names of companies affiliated with Tenant, without the prior written consent of Landlord, such consent not to be unreasonably withheld.

13.0 DEFAULT

13.1 If either Landlord or Tenant is in default hereunder and such default is not remedied within 10 business days after written notice is given by the non-defaulting party to the defaulting party or in the event the default cannot be remedied within 10 business days and the defaulting party has not commenced remedial action within 10 business days and thereafter diligently pursues such remedial action, the parties acknowledge that the non-defaulting party will have the right to commence legal action against the defaulting party and to claim damages in respect of all losses and expenses occasioned by such default.

14.0 SIGNAGE

14.1 The Tenant shall, at the Tenant's cost, have the right to install prominent signage on the exterior of the Building, subject to the guidelines for Glenlyon Business Park, the approval of the Landlord and the City of Burnaby, such approval by the Landlord not to be unreasonably withheld.

15.0 PARKING

15.1 The Landlord shall make available to the Tenant a proportionate share of the parking stalls available to the tenants in the Building based upon Rentable Area, to be located in the parking area of the Building at no charge for the term of the lease or any renewal terms but not less that 100 stalls. Of the allocated stalls, the Tenant shall be provided 15 reserved parking stalls near the front entrance to the Building as part of their parking allotment provided that the Landlord shall not be responsible for supervising or policing such stalls.

16.0 OPTIONS TO EXTEND LEASE

16.1 The Tenant, provided it is not then in material default, shall have 2 options to extend the Term of the lease for the Premises (collectively the "Extended Terms"), each for a period of 5 years (the "First Extended Term" and the "Second Extended Term" respectively).

16.2 The first option shall be exercised by written notice to the Landlord not less than 6 months and not more than 18 months prior to the expiry of the initial Term. Failure to exercise the first option within such time period shall render both options to extend null and void and incapable of further exercise.

16.3 The second option shall be exercised by written notice to the Landlord not less than 6 months and not more than 18 months prior to the expiry of the First Extended Term. Failure to exercise the second option within such time period shall render this second option to extend null and void and incapable of further exercise.

16.4 The Extended Terms shall be on the same terms and conditions as the initial term except for Annual Rent, Tenant Improvement Allowance and except for options to extend further.

16.5 The Annual Rent payable by the Tenant during each of the Extended Terms shall be negotiated and agreed upon between the parties prior to the commencement of the respective Extended Terms based on the prevailing effective fair market rent at the commencement of the respective Extended Term for similarly improved premises of similar size, quality, and location in office buildings of a similar size, quality and location in the Greater Vancouver Regional District (but excluding any consideration for the Special Tenant Improvements). Failing such agreement, then within 2 months prior to the commencement of the Extended Term, Annual Rent shall be submitted to arbitration under the provisions of the Commercial Arbitration Act of the Province of British Columbia and in accordance with this clause.

17.0 RIGHT OF FIRST REFUSAL TO LEASE ADJOINING SPACE

17.1 Provided the Tenant is not then in default of a material provision of the Lease or this Offer to Lease, the Landlord hereby grants to the Tenant, prior to commencement and as an ongoing right through the term of the Lease, the first right of refusal to match the terms of any acceptable bona fide offer to lease all or part of the balance of the Building (presently estimated to be 13,000 square feet) of Rentable Area in the Building as shown outlined in green on the plan attached as Schedule “A”. The Tenant shall have 10 business days following written notification from the Landlord or its agent to exercise this right by notice in writing; failing such it shall be deemed to have waived such right of first refusal. Except as otherwise noted in this Section 17.1, the area leased by the Tenant under this right shall be deemed to form part of the Premises.

18.0 OPTION TO LEASE ADJOINING SPACE

18.1 Provided the Tenant is not then in default of a material provision of the Lease the Landlord hereby grants to the Tenant the option to lease all or a portion of the balance of the Rentable Area in the Building (presently estimated to be 13,000 square feet) (in this Section referred to as the “Option Space”) as shown outlined in green on the plan attached as Schedule “A” from the date that is the earlier to occur:

(a) 30 days after the expiration of the term of a lease of the Option Space to a third party (if such term expires after the third anniversary of the Commencement Date) which option may be exercised by written notice 6 months prior to the expiration of the term of such lease; or

(b) 5 years after the Commencement Date plus 9 months; which option may be exercised by written notice between the 51st month and the 55th month after the Commencement Date.

The rental rate for the Option Space shall be the then effective fair market rental rate for comparable space in the marketplace, for equivalent square feet, in similar buildings in the Greater Vancouver Regional District. In the event that the Option Space has been improved by a previous tenant, the Tenant shall have the right to request that the Landlord return all or a portion of the space back to base building standard, at no cost to the Tenant which request shall be made prior to the determination of the effective fair market rate for the Option Space. If the rental rate is not settled between the Landlord and the Tenant within the 6 months following such notice of such option, the rental rate shall be subject to arbitration, under the Arbitration Act of British Columbia, using the terms of this clause 18.0, as the terms of reference. Except as otherwise provided in this clause 18.0, the Option Space shall be deemed to form a part of the Premises and will be leased on the same terms and conditions as those which apply to the Premises including renewal rights and the term of the lease of the Option Space shall expire on expiration of the Term.

19.0 RIGHT TO ASSIGN OR SUBLET

19.1 The Tenant shall have the right to assign or sublet all or a portion of the Premises at any time during the Term or the Extended Terms subject to the approval of the Landlord, such approval not to be unreasonably withheld and provided that the Tenant shall continue to be bound for its obligations under the Lease. Upon the Tenant notifying the Landlord of its intent to assign its interest in the Lease to a third party, the Landlord shall have the right to terminate the Lease and relieve the Tenant from its obligations thereunder. The Landlord shall not have the foregoing right of termination in the event that:

(a) the proposed assignment is a part of a transaction whereby the Tenant is selling all or substantially all of its business as carried on in the Building to a bona fide third party; or

(b) the proposed assignment is to a third party that requires the Special Tenant Improvements in the operation of its business.

19.2 The Tenant shall have the right to assign or sublet all or a portion of the Premises at any time during the Term or Extended Terms without the approval of the Landlord, provided that the assignee or sublessee is an affiliated or related company to the Tenant, and the Tenant shall continue to be bound by its obligations under the Lease.

20.0 CONDITION

20.1 This Offer to Lease and the agreement constituted by Landlord’s acceptance thereof shall be subject to and conditional upon:

(a) receipt by Landlord within 7 months after the Design Agreement Date of all necessary municipal and governmental approvals for construction of the Building and the proposed occupation and use of the Premises by Tenant. Such date:

(i) may be extended by Landlord acting reasonably provided Landlord has complied with the provisions of Section 10.1 (b) herein;

(ii) will be extended if Landlord has obtained a development permit and the extension will allow completion of building permit drawings to obtain a building permit;

(iii) may be extended by the Tenant for an additional 90 days if it is reasonable to expect that the required approvals will be obtained within such 90 days provided that the Landlord complies with the provisions of Section 10.1(b);

(b) the Landlord obtaining the approval of its Board of Directors within 30 days after execution of this Offer to Lease by the parties.

The foregoing conditions (a) and (b) are for the sole benefit of Landlord and may be waived or removed by Landlord providing written notice to that effect to Tenant at any time on or before the specified or extended date. PROVIDED HOWEVER that if such conditions are not so waived or removed, this Offer to Lease and the agreement constituted by Landlord's acceptance thereof shall become null and void and Tenant shall have no claim whatsoever against Landlord save immediate return of the Deposit without set-off or deduction except for such sum owing by Tenant or other sums owing by Landlord as outlined in the provisions of Section 8.2 herein.

20.2 In the event that the 7 month period referred to in Section 20.1 herein is extended under the foregoing provisions, all other dates in this Agreement that fall after such date (including the Commencement Date) shall be postponed by the number of days that have elapsed from the expiration of the 7 month period to the date when the Landlord receives the necessary approvals in order to allow for performance by the parties of their obligations herein.

21.0 GENERAL

21.1 The parties acknowledge that there are no covenants, agreements, representations, warranties or conditions relating to the Premises or the subject matter of this Offer to Lease, express, implied, collateral or otherwise, except such as are set out in this Offer to Lease and the Lease.

21.2 Article 12 of the Lease shall apply to the giving of any notices hereunder after the Commencement Date but prior thereto the address of Tenant for notices shall be the address of Tenant shown on page 1 hereof.

21.3 Neither this Offer to Lease nor the agreement to lease formed by acceptance of this Offer to Lease by Landlord shall be assignable by Tenant prior to the Commencement Date of the Lease except that the Tenant shall have the right to assign this Offer to Lease to an affiliated or related company to the Tenant provided that the Tenant shall continue to be bound by its obligations herein and under the Lease.

21.4 The provisions of the agreement to lease formed by the acceptance of this Offer to Lease by Landlord shall, except as hereinafter provided, survive the execution of the Lease; PROVIDED HOWEVER that in the event of an inconsistency between the provisions of the said agreement to lease and the provisions of the Lease, the provisions of the Lease shall govern.

21.5 All negotiations conducted by the agents of Landlord and Tenant shall be conducted, so far as possible, on a confidential basis and in a manner which prevents dissemination of information with respect to the Premises. Each party covenants and agrees to ensure that all written information provided to one party by the other is returned to the party delivering same and to ensure that the terms and conditions of this Offer to Lease and the Lease are not divulged or communicated by the receiving party or its agents, except as may be expressly permitted by the party delivering the information or as may be required by law.

21.6 Tenant will not register this agreement constituted by the acceptance of this Offer to Lease in the Land Title Office. Upon execution of the Lease, Tenant shall have the option to register a short form of the Lease in the Land Title Office at its expense provided the business terms of this Offer to Lease and the Lease are not contained in any form of registration which shall be approved by Landlord prior to registration thereof.

21.7 Time is of the essence in this Offer to Lease.

21.8 This Offer to Lease, if accepted by Landlord, shall constitute a binding and enforceable agreement on the terms and conditions herein contained. Neither the negotiations leading to the presentation of this Offer to Lease, nor the preparation of this Offer to Lease by Landlord, nor the acceptance of the Deposit referred to in Section 5.1 shall require or impose any obligation on Landlord to accept this Offer to Lease nor constitute any acceptance of this Offer to Lease by Landlord.

21.9 This agreement shall be binding upon the successors and assigns of the parties and the original parties hereto shall continue to be bound by the covenants herein contained.

22.0 AGENCY DISCLOSURE

22.1 The Tenant has an agency relationship with CB Commercial Real Estate Group Canada Inc. (Agent), Blair T. Quinn (Salesperson) and Lisa D. Ayrton (Salesperson).

23.0 FACSIMILE TRANSMISSION

23.1 A party hereto may signify its agreement to the terms hereof by facsimile transmission. A telecopy facsimile of this agreement received by a party hereto which shows the signature(s) of the authorized signatory(ies) of the other party will be good proof of execution by that other party.

24.0 ACCEPTANCE

24.1 This Offer to Lease is irrevocable until the 5th business day after the date hereof, after which date if not accepted this Offer to Lease shall be null and void. Such acceptance shall be effective only by execution and delivery of this Offer to Lease by the parties hereto.

DATED this 4 day of JULY, 1996.

INEX PHARMACEUTICALS CORPORATION

By: /s/ Illegible
Authorized Signatory

Landlord accepts the aforesaid Offer to Lease this 4 day of JULY, 1996.

CANADA LANDS COMPANY CLC LIMITED

Per:

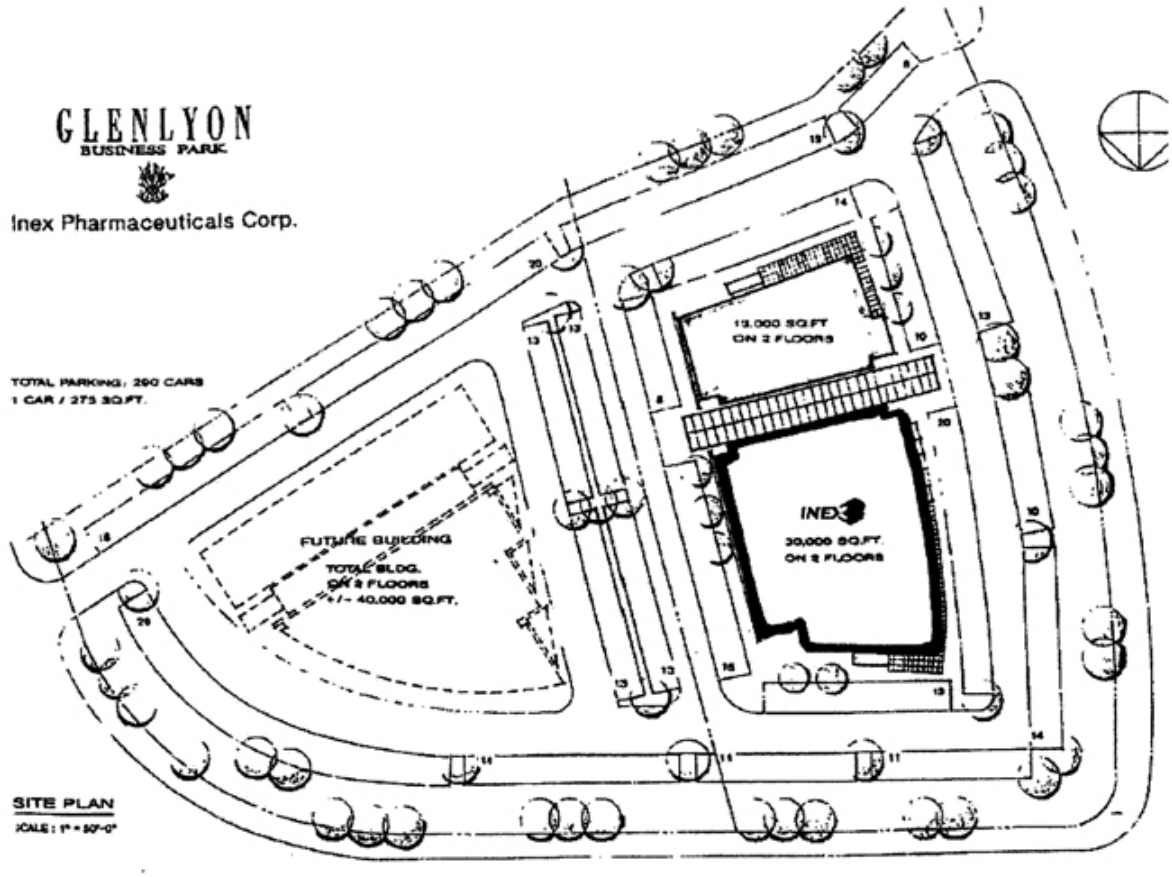
/s/ Illegible
Vice President
Western Canada

APPROVED AS TO FORM

/s/ Illegible
Legal Advisor to
CANADA LANDS COMPANY CLC LIMITED
BULL, HOUSSER & TUPPER
Barristers and Solicitors
3000 Royal Centre
1055 West Georgia Street
Vancouver, B.C. V6E 3R3
Telephone: (604)687-6575

SCHEDULE “A”

Site Plan Initialled by
Representatives of the Parties



SCHEDULE “B”

Base Building Specifications

The Base Building shall be a finished office building similar in quality to new suburban business park office product prior to the commencement of leasehold improvements therein with ceiling in place on an open plan basis ready for the application of the Tenant’s leasehold improvement allowance as outlined in clause 8.0 of this Offer.

(a) Site Development

(i) Parking

The site will be finished with 2 1/2 inch thick asphalt parking areas with a 4 inch gravel subbase. All parking stalls will be marked with painted lines.

(ii) Landscaping

Islands with mature trees and shrubs will divide the stalls. Planted areas will have an irrigation system. Hydrants and hose bibs will be located for convenience to serve the site, all in accordance with municipal requirements.

(iii) Site Lighting

Site lighting will be on 30’ light standards with metal halide luminaries producing approximately 3 Foot Candles at 6’ throughout the parking areas and off the building in the areas close to the building.

(b) Building

(i) Structure

The structure will consist of steel columns with open web steel joints supporting steel decking. The column grid will be 32 feet.

(ii) Floor Slabs

The main floor will consist of an unreinforced slab on grade on a 6 inch granular base capable of supporting a load of 250 lbs. per square foot. The floor surface shall be trowelled finish. The second floor shall be a mesh reinforced concrete topping on steel decking capable of supporting a live load of 100 lbs. per square foot, with concrete added to reduce vibration.

(iii) Exterior Walls

The exterior walls will be engineered reinforced concrete cast off the slab and tilted into place.

(iv) Roof

The roof will be a membrane roof with a 5 year warranty and insulated to R-20.

(v) Skylights

The roof area of the Premises will have one skylight with high performance glazing, double glazed in an aluminium frame.

(vi) Window

The windows are sealed, double glazed tinted or reflective glass of aluminium storefront with 4 inch profile. Glazing will be a combination of store front and curtain wall glazing systems.

(c) Exterior Finishes

(i) Exterior

The exterior floor surfaces will include a plaza area with a combination of concrete finish and interlocking pavers or equivalent.

(ii) Door and Windows

All storefront door and window frames will have a custom colour special coating finish. There will be 1 double man door rear entrance at grade level directly accessing the Premises.

(iii) Exterior Walls

Concrete surfaces will be painted with two coats of high performance exterior grade breathable paint

(iv) Flashings and Sills

All flashings and sills will be painted.

(d) Interior Finishes

(i) Walls

All interior perimeter walls will be insulated and finished with drywall, taped and sanded ready for paint. All core interior walls will be to the underside of structure, taped and sanded ready for paint.

(ii) Washrooms

Common Men’s and Women’s washrooms will be provided to accommodate a minimum of 100 personnel of the Tenant, complete with floor mounted metal partitions, vanity and splash, American Standard type fixtures and fittings, ceramic tile on the walls and floors and drywall ceilings. Handicap washroom facilities shall be provided on each floor.

(iii) Lobby

A common entrance lobby will be provided to the Building with a feature stair, ceramic tile floor, and painted or vinyl finished walls. The lobby will be two storey with a feature drywall ceiling. A balcony on the second floor will have custom architectural railings. The main entry doors will be tempered glass double doors with patch hardware and recessed automatic door openers.

(iv) Corridors

Corridors will have painted or vinyl finished walls, and 32 oz. carpeted floor and acoustic tile ceilings.

(v) Tenant Entries

Tenant entry doors off the lobby would be tempered glass, double doors, with patch hardware. Tenant entry door off corridors will be solid core wood.

(vi) Service Room and Washroom Entry Doors

All interior service room doors will be hollow core metal in steel frame, 3/4 hour rated, with custom paint finish. All washroom and public use doors will be solid core wood, 3/4 hour rated. Hardware will be heavy duty type Schlage B Series, or equal.

(vii) Service Rooms

There will be one janitor's room for the building and one electrical/mechanical room per floor and one elevator service room. All rooms will have one hour spray fire rating material to the underside of the deck above, will have drywall complete with two coats of paint. Floor will be vinyl finish.

(viii) Floors

All floors, unless otherwise noted, will be smooth concrete finish ready for carpet (by Tenant).

(ix) Ceilings

All ceilings in open plan areas will have T-bar and acoustic tile installed throughout.

(x) Sprinklers

Sprinkler distribution shall be to an open plan basis.

(e) Mechanical

(i) Plumbing

The washroom fixtures will be American Standard flush valve type. Wash basins will be American Standard rimmed type. All fittings and faucets will be commercial grade stainless steel.

(ii) HVAC

A floor by floor air conditioning system with DDC controls and 100 ton chiller capacity will be provided. HVAC shall be distributed on an open plan basis. All specialized HVAC requirements shall be taken out of the leasehold improvement allowance.

(iii) Fire Protection

The Building will be sprinklered throughout, to an open plan basis, in accordance with the requirements of the NFPA, Provincial and Municipal codes and standards for standard office occupancy.

(iv) Elevators

One 2,500 lb. hydraulic elevator with side opening doors 3’ - 6’, finished to combine polished and brushed stainless steel rail, doors and front panels, side an back panels to be tempered glass with fabric backing. Ceiling to be chrome finish with potlights.

(f) Electrical

(i) Power

Power supply will have the capacity to provide 300 kVa exclusively for Inex’s use. Primary distribution shall be to one main electrical room. Subdistribution will be through one Subdistribution room per floor down two 120/208 volts. Distribution on each floor shall be taken out of Tenant improvement allowance.

(ii) Lighting

Two or three lamp (single switched), deep celled, parabolic lensed, energy efficient ballast. T-8 lamps snap-lock connections and circuited for photocell control switching at perimeter. Fluorescent fixtures wired for full lamp operation to provide 50 Foot Candles. Lighting distribution shall be provided to an open plan basis.

(iii) Fire Protection

The facility shall be equipped with a full fire monitoring and annunciation system that incorporates provision for external monitoring and reporting of any alarm or system abnormality.

(iv) Communication

Conduit to take the Tenant's fibre optics and telephone/cable service from the property line to core is part of base building contract. Cabling, fibre optics and further conduit distribution for telephone and data to Tenant's account. Fibre optic, telephone and cable service is serviced at the Glenlyon Service Centre.

(v) Security

The Building shall have a card access security system for all entrances to the main floor building lobby and the building elevator. Such system shall have the ability to be coordinated with the Tenant's security system for their premises.

(g) Waste Disposal

Screened enclosure for Tenant's containers wilt be provided.

(h) Loading

One manually operated overhead door to be provided at floor level for shipping and receiving.

SCHEDULE “C”

Undertakings

This Agreement is made as of the _____ day of _____, 199__.

BETWEEN:

INEX PHARMACEUTICALS CORPORATION, of 1779 West 75th Avenue, Vancouver, British Columbia, V6P 6P2

(“Tenant”)

AND:

CANADA LANDS COMPANY CLC LIMITED, of 2000 Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8

(“Landlord”)

AND:

BULL, HOUSSER & TUPPER, of 3000 Royal Centre, 1055 West Georgia Street, Vancouver, British Columbia, V6E 3R3

(“BHT”)

WHEREAS:

A. Pursuant to an Offer to Lease dated _____, 1996 (“Offer to Lease”), Tenant offered to lease from Landlord certain premises (“Premises”) consisting of approximately 30,000 square feet to be constructed in a building of approximately 43,000 square feet, located in the Glenlyon Business Park, Burnaby, British Columbia.

B. The Offer to Lease requires Tenant to deliver to BHT an irrevocable stand-by letter of credit (“Design Letter of Credit”) in favour of the Landlord in the amount of $425,000, to be held by BHT on the undertakings contained herein;

C. The Offer to Lease requires Tenant in each of the first five years of the term of the lease (“Lease”) of the Premises to deliver to BHT an irrevocable stand-by letter of credit (“Lease Letter of Credit”) in favour of Landlord in the initial amount of $600,000 and thereafter to be reduced as provided herein, such Lease Letter of Credit to be held by BHT on the undertakings contained herein;

D. The Design Letter of Credit and Lease Letter of Credit are herein sometimes collectively referred to as Letters of Credit or separately as Letter of Credit.

In consideration of the payment of the sum of $1.00 and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

DELIVERY OF LETTERS OF CREDIT

1. Concurrently with its execution hereof, Tenant is delivering to BHT the Design Letter of Credit to be held by BHT subject to the terms of this agreement.

2. Tenant shall renew the Design Letter of Credit annually and shall deliver each renewal Design Letter of Credit to BHT not less than 30 days prior to the expiry of the Design Letter of Credit that is being replaced.

3. Tenant shall deliver to BHT the initial Lease Letter of Credit within 7 days from the Tenant receiving written notice by the Landlord that the Landlord expects to commence construction of the building in which the Premises are to be located within the following 30 days.

4. The first Lease Letter of Credit shall be in an amount of $600,000 and then shall be based upon $20 times the Rentable Area of the Premises as determined in the Lease, in each of the first 3 years of the term of the Lease which shall be reduced by one-third for the 4th year of the term and then reduced by one-half of the ten remaining amount for the 5th year of the term.

5. Tenant shall renew the Lease Letter of Credit annually and shall deliver each renewal Lease Letter of Credit to BHT not less than 30 days prior to the expiry of the Lease Letter of Credit that is being replaced.

UNDERTAKINGS OF BHT

6. BHT will hold the Letters of Credit in escrow and, unless it is prohibited from doing so by an order of a court of competent jurisdiction, BHT undertakes that it will:

(a) within five (5) days after receipt of a statutory declaration made by an officer of Landlord stating that Tenant is in default under the provisions of either the Offer to Lease or Lease (“Statutory Declaration”), deliver to Tenant at its business address, a copy of such Statutory Declaration;

(b) within fourteen (14) days after receipt of a Statutory Declaration, present the Letter of Credit then held by it for payment on behalf of the Landlord, invest the funds realized thereon in an interest-bearing trust account or deposit receipt and hold such funds, including interest earned thereon, (together the “Trust Funds”) in trust;

(c) upon receipt by it of either:

(i) a certified copy of an entered order made by the Supreme Court of British Columbia (“Supreme Court”), or

(ii) a joint direction and release executed by both Landlord and Tenant

providing for payment of all or a portion of the Trust Funds, pay Landlord therefrom

(iii) any amount awarded by the Supreme Court to Landlord by the order, or

(iv) any amount which it is directed to pay to Landlord by the joint direction and release

and pay to Tenant any remaining Trust Funds then held by it; and

(d) if BHT has not received a Statutory Declaration from Landlord by the date that the Landlord has commenced construction of the Landlord's Improvements as defined in the Offer, BHT will deliver the Design Letter of Credit to the Tenant;

(e) if BHT has not received a Statutory Declaration from Landlord by the sixth anniversary of commencement of the term of the Lease, BHT will deliver the Lease Letter of Credit then held by it to Tenant.

INDEMNITY FOR BHT

7. Landlord shall pay all fees and expenses of BHT in connection with the performance of its duties hereunder. Landlord and Tenant hereby agree that they will indemnify and save harmless BHT from all claims, demands, damages, losses and expenses whatsoever arising out of the performance by BHT of its duties hereunder.

RIGHTS OF BHT

8. BHT bears no responsibility for loss of a Letter of Credit except the duty to exercise care in the safekeeping thereof. BHT may act on the advice of counsel, but is not responsible for acting or failing to act on the advice of counsel.

9. In the event of any dispute between the parties hereto, BHT may apply to the Supreme Court for guidance as to the resolution of the dispute or refer the matter in its entirety to the Supreme Court for resolution.

GENERAL

10. Tenant consents to BHT acting as solicitors for Landlord notwithstanding that their duty to Landlord may conflict with their duty as a stakeholder under the terms of this agreement.

11. This agreement enures to the benefit of and is binding upon the parties and their respective personal representatives, successors and assigns.

12. Time is of the essence.

13. This agreement and the rights and obligations of the parties hereof shall be read and interpreted in conjunction with the provisions of the Offer to Lease.

14. This agreement may be executed in counterparts with the same effect as if all parties had signed the same documents and all such counterparts will be construed together and will constitute one and the same instrument.

15. This agreement is governed by and shall be construed in accordance with the laws of British Columbia.

IN WITNESS WHEREOF the parties hereto have executed this agreement as of the date first above written.

INEX PHARMACEUTICALS CORPORATION

By: _____
Authorized Signatory

CANADA LANDS COMPANY CLC LIMITED

_____
Vice President
Development Western Canada

BULL, HOUSSER & TUPPER

Per:

_____

LEASE EXTENSION AGREEMENT

THIS LEASE EXTENSION AGREEMENT dated June 15, 2009.

AMONG:

632499 B.C. LTD. or Nominee, a company duly incorporated under the laws of British Columbia, and having an office at 10C - 19926 - 96th Avenue Langley, BC V1M 3C2

(the "**Landlord**")

AND:

TEKVIIRA PHARMACEUTICALS CORPORATION, a company duly incorporated under the laws of British Columbia, and having an office at 8900 Glenlyon Parkway, Burnaby, BC, V5J 5J8.

(the "**Tenant**")

WHEREAS:

A. By a lease dated December 15. 1997 (the "**original lease**"), a Lease of Additional Space dated December 19, 2003 and a Modification Agreement dated September 24, 2008 (collectively, the "**Lease**") Canadian Urban Limited as agents for CUE Real Property (2) Ltd. ("**CUE**") leased to Inex Pharmaceuticals Corporation ("**INEX**") for a term expiring on December 14, 2012 (the "**Term**") premises (the "**Leased Premises**") consisting of an area containing 51,494 square feet in the building known as 8900 Glenlyon Parkway.

B. INEX assigned its interest in the Lease to the Tenant on April 25, 2007.

C. CUE has agreed to sell the Leased Premises to the Landlord on July 29, 2009 or such other date as CUE and the Landlord agree (the "**Effective Date**").

D. The parties hereto have agreed to modify the Lease upon the terms and conditions hereinafter set forth effective on the Effective Date by, among other things, extending the Term for nineteen and one-half (19.5) months (the "**Extension Period**") under the terms of this agreement (the "**Lease Extension Agreement**").

NOW THEREFORE in consideration of the grants, rents, and mutual covenants hereinafter reserved and contained, the parties covenant and agree as follows:

1. *Extension Term*: The parties agree to extend the Term by nineteen and one-half (19.5) months expiring on July 31, 2014 (the "**Extension Term**") upon the same terms, conditions, and covenants as are contained in the Lease, except as modified in this Lease Extension Agreement.

2. *Annual Rent*: The Annual Rent during the Extension Term will be:

Rate/sq. ft.	$/Per Month	$/Per Annum
$ 19.00	$81,532.17	$978,386.00

3. *Annual Rent during First Extended Term*: Notwithstanding section 14.2 of the original lease, on the written request of the Tenant delivered not later than December 14, 2012 and not earlier than June 14, 2012, the Tenant may elect to set the Annual Rent for the First Extended Term should the Tenant exercise the First Option. The Annual Rent referred to above shall be determined in the manner set out in the Lease. For greater certainty, Annual Rent during each year of the First Extended Term shall be the effective fair market rent for the Premises as of the commencement of the First Extended Term, when compared to premises of similar size, quality and location in office buildings of a similar size, quality and location in the Greater Vancouver Regional District, as if the Premises are unimproved. The effective fair market rent referred to above shall be determined by mutual agreement of the parties, or, failing agreement thereon prior to December 31, 2013, by arbitration under the *Commercial Arbitration Act*, R.S.B.C. 1996, c. 55, as amended from time to time. If the matter is being determined by arbitration but has not been determined at the commencement of the First Extended Term, the Tenant shall continue to pay, when due, the installments of Annual Rent payable during the last year of the Term, together with all other payments which comprise Rent, and Tenant shall pay the deficiency or the Landlord shall credit the excess (if any) without interest within 10 days of the adjusted Annual Rent being agreed or determine.

4. *Annual Rent During Second Extended Term*: If the Tenant exercise the Second Option then, notwithstanding section 14.3(b) of the original Lease, the Annual Rent during each year of the Second Extended Term shall be determined in the manner set out in the Lease. For greater certainty, Annual Rent during each year of the Second Extended Term shall be the effective fair market rent for the Premises as of the commencement of the Second Extended Term, when compared to premises of similar size, quality and location in office buildings of a similar size, quality and location in the Greater Vancouver Regional District, as if the Premises are unimproved. The effective fair market rent referred to above shall be determined by mutual agreement of the parties, or, failing agreement thereon prior to the date two months before the conclusion of the Second Extended Term by arbitration under the *Commercial Arbitration Act*, R.S.B.C. 1996, c. 55, as amended from time to time. If the matter is being determined by arbitration but has not been determined at the commencement of the Second Extended Term, the Tenant shall continue to pay, when due, the installments of Annual Rent payable during the last year of the First Extended Term, together with all other payments which comprise Rent, and Tenant shall pay the deficiency or the Landlord shall credit the excess (if any) without interest within 10 days of the adjusted Annual Rent being agreed or determine.

5. *Third Option*: If the Tenant exercised the First Option and the Second Option, then provided the Tenant is not then in material default under the Lease or the Offer to Lease, the Landlord will, at the expiration of the Second Extended Term and on the written request of the Tenant delivered not later than 6 months and not earlier than 18 months

before the expiration of the Second Extended Term, grant the Tenant one option to renew (the "**Third Option**") for a further 5 years (the "**Third Extended Term**"). The Tenant's failure to exercise this option with the time period specified shall render the Third Option null and void and incapable of further exercise. If the Tenant exercise the Third Option within the time specified, then:

a. all conditions in the Lease shall remain the same during the Third Extended Term except for Annual Rent, the Landlord's contribution to the costs of Leasehold Improvements, the First Option and the Second Option; and

b. the Annual Rent during each year of the Third Extended Term shall be determined in the manner set out in the Lease. For greater certainty, Annual Rent during each year of the Third Extended Term shall be the effective fair market rent for the Premises as of the commencement of the Third Extended Term, when compared to premises of similar size, quality and location in office buildings of a similar size, quality and location in the Greater Vancouver Regional District, as if the Premises arc unimproved. The effective fair market rent referred to above shall be determined by mutual agreement of the parties, or, failing agreement thereon prior to the date two months before the conclusion of the Second Extended Term, by arbitration under the *Commercial Arbitration Act*. R.S.B.C. 1996, c. 55, as amended from time to time. If the matter is being determined by arbitration but has not been determined at the commencement of the Third Extended Term, the Tenant shall continue to pay, when due, the installments of Annual Rent payable dining the last year of the Second Extended Term, together with all other payments which comprise Rent, and Tenant shall pay the deficiency or the Landlord shall credit the excess (if any) without interest within 10 days of the adjusted Annual Rent being agreed or determine.

6. *Incentive Payment*: The Landlord will pay to the Tenant the sum of $150,000 within 10 business days of the Effective Date.

7. *Incorporation into Lease*: This Lease Extension Agreement is expressly made a part of the Lease to the same extent as if incorporated in the Lease, and the parties agree that all agreements, covenants, conditions, and provisions contained in the Lease, except as amended or altered in this Lease Extension Agreement, will be and remain unaltered and in full force and effect during the Extension Period. The Landlord and the Tenant acknowledge and agree to perform and observe, respectively, the obligations of the Landlord and the Tenant under the Lease as extended and modified hereby. The Landlord and the Tenant hereby confirm and ratify the Lease and the extension of the original Term.

8. *Definitions*: All terms capitalized in this Lease Extension Agreement and not otherwise defined in this Lease Extension Agreement will have the same meaning as in the Lease.

9. *Condition Precedent*: It is a true condition precedent to this Lease Extension Agreement that CUE completes the sale of the Leased Premises to the Landlord and the Landlord completes the purchase of the Leased Premises from CUE on July 29, 2009 or such other date as CUE and the Landlord agree.

10. *Binding Effect*: This Lease Extension Agreement will enure to the benefit of and be binding upon the parties and their respective successors and assigns.

11. *Counterparts and Delivery*: This Lease Extension Agreement may be executed by the parties in any number of counterparts, each of which when executed and delivered is deemed to be an original, but all of which when taken together will constitute one and the same instrument.

IN WITNESS WHEREOF the Landlord and the Tenant have executed this Lease Extension Agreement as of the day and year first above mentioned.

Landlord: **632499 B.C. LUX or Nominee**

Per: /s/ Gordie Gill
Authorized Signatory

Tenant: **TEKMIRA PHARMACEUTICALS CORPORATION**

Per: /s/ Ian Mortimer
Authorized Signatory

Ian Mortimer
Chief Financial Officer
July 7, 2009

Exhibit 4.15

INDEMNITY AGREEMENT

THIS AGREEMENT has been entered into as of the __ day of _____, 201__.

BETWEEN:

TEKMIRA PHARMACEUTICALS CORPORATION, a company duly incorporated under the laws of the Province of British Columbia, and having an office at #200, 8900 Glenlyon Parkway, Burnaby, British Columbia, V5J 5J8

(the "**Indemnitor**")

AND:

_____, with an address of

(the "**Indemnitee**")

WHEREAS:

(A) the Indemnitor has requested the Indemnitee to act as a director of the Indemnitor and may ask the Indemnitee to act in a similar capacity with affiliates of the Indemnitor; and

(B) the Indemnitee has agreed, subject to the granting of the indemnities and releases herein provided for, to act as a director of the Indemnitor and act in a similar capacity with affiliates of the Indemnitor if requested;

NOW THEREFORE in consideration of these premises, the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by each of the parties hereto, the parties hereto covenant and agree as set forth below.

1. INDEMNITY

1.1 Subject to §1.2, and §2.6(b) below the Indemnitor shall indemnify and save harmless the Indemnitee, and the Indemnitee's successors, heirs and personal representatives (together with the Indemnitee, the "Indemnified Parties") against and from:

(a) any and all actions and claims, whether current, threatened, pending or completed, whether civil, criminal, quasi-criminal or administrative, of every nature and kind whatsoever which may be brought or made by any person, firm, corporation or government, or by any governmental department, body, commission, board, bureau, agency or instrumentality against the Indemnified Parties in connection with the Indemnitee's execution of the duties of his office held as an officer or director with the Indemnitor or any affiliate of the Indemnitor from time to time;

(b) any and all costs, damages, charges, expenses (including legal fees and disbursements, on a full indemnity basis), fines, liabilities (statutory or otherwise), losses and penalties which the Indemnitee may sustain, incur or be liable for in consequence of his acting as a director or officer of the Indemnitor or any affiliate of the Indemnitor from time to time, whether sustained or incurred by reason of the Indemnitee's negligence, default, breach of duty, breach of trust, failure to exercise due diligence or otherwise in relation to the Indemnitor or any of its affiliates from time to time, or any of their respective affairs;

(c) without in any way limiting the generality of the foregoing, any and all costs, damages, charges, expenses (including legal fees and disbursements on a full indemnity basis), fines, liabilities, losses and penalties which the Indemnified Parties may sustain, incur or be liable for as a result of or arising by operation of statute and incurred by or imposed upon the Indemnified Parties in relation to the affairs of the Company in the Indemnitee's capacity as director or officer, including but not limited to, all statutory obligations to creditors, employees, suppliers, contractors, subcontractors and any government or agency or division of any government, whether federal, provincial, state, regional or municipal whether existing at the date hereof or incurred hereafter; and

(d) without in any way limiting the generality of the foregoing, the Indemnitor agrees that should any payment or reimbursement made pursuant to this Agreement, including without limitation the payment of insurance premiums or any payment made by an insurer under an insurance policy, be deemed to constitute a taxable benefit or otherwise be or become subject to any tax or levy upon the Indemnified Parties, then the Indemnitor shall pay such amount as may be necessary to ensure that the amount received by or on behalf of the Indemnified Parties, after the payment of or withholding for such tax, fully reimburses the Indemnified Parties for the actual cost, expense or liability incurred by or on his or her behalf.

1.2 Notwithstanding the provisions of §1.1, the Indemnitor shall not be obligated to indemnify or save harmless the Indemnified Parties against and from any action, claim, cost, damage, charge, expense, fine, liability, loss or penalty:

(a) if in respect thereof the Indemnitee failed to act honestly and in good faith with a view to the best interests of the Indemnitor or its affiliate as the case may be ;

(b) in the case of a criminal or administrative action or proceeding, if the Indemnitee did not have reasonable grounds for believing that his conduct was lawful;

(c) arising out of any act, error or omission of the Indemnitee that is fraudulent or malicious and that is committed by the Indemnitee with actual fraudulent or malicious purpose or intent; or

(d) for which he is entitled to indemnity pursuant to any valid and collectible policy of insurance, to the extent of such insurance. Where partial indemnity is provided by such policy of insurance, the obligation of the Indemnitor under §1.1 shall continue in effect but be limited to that portion of the liability for which indemnity is not provided by such policy.

1.3 The determination of any claim by judgment, order, settlement or conviction, or upon a plea of "nolo contendere" or its equivalent, will not, of itself, create any presumption for the purposes of this Agreement that the Indemnitee did not act honestly and in good faith with a view to the best interests of the Indemnitor or with the care, diligence, and skill of a reasonably prudent person or, in the case of a criminal or administrative action or proceeding, that he or she did not have reasonable grounds for believing that his conduct was lawful (unless the judgment or order of a court specifically finds otherwise) or that the Indemnitee had committed wilful neglect or gross default.

2. DEFENSE

2.1 For the purposes of this section 2:

"**Action**" means any action, inquiry, investigation, suit or other proceeding before a court or other tribunal in which a Claim is brought, made or advanced by or against the Indemnitee;

"**Claim**" means any allegation of charge, claim, cost, damage, expense, fine, liability, loss or penalty contemplated by §1.1;

"**Judgment**" means an award of damages or other monetary compensation made in an Action or any amounts the Indemnitee is ordered to pay by any court or other tribunal or any government, governmental department, body, commission, board, bureau, agency or instrumentality having proper jurisdiction as a result of any Claim brought, made or advanced of or against the Indemnitee; and

"**Settlement**" means an agreement to compromise a Claim or an Action.

2.2 Upon the Indemnitee becoming aware of any pending or threatened Claim or Action, the Indemnitee must provide written notice of it to the Indemnitor as soon as is reasonably practicable.

2.3 The Indemnitor shall have full power and authority to conduct such investigation of each Claim as is reasonably necessary in the circumstances and shall pay all costs of such investigation.

2.4 Subject to this subsection and §2.6(b), the Indemnitor shall defend, on behalf of the Indemnitee, any Claim or Action, even if the basis for the Claim or Action is groundless, false or fraudulent. If the Indemnitor has reasonable grounds for believing that any of the circumstances described in §1.2 apply to the Claim or Action, then the Indemnitor, upon giving the Indemnitee written notice of its belief and the grounds therefore, may refuse to so defend the Claim or Action, but such refusal shall not relieve the Indemnitor from any of its obligations of indemnity hereunder if it has determined that none of the provisions of §1.2 apply to the Claim or Action.

2.5 The Indemnitor shall consult with and pay reasonable heed to the Indemnitee concerning the appointment of any defence counsel to be engaged by the Indemnitor in fulfillment of its obligation to defend a Claim or Action, pursuant to §2.4.

2.6 With respect to a Claim or Action for which the Indemnitor is obliged to indemnify the Indemnitee hereunder:

(a) the Indemnitor may conduct negotiations towards a Settlement and, with the written consent of the Indemnitee (which the Indemnitee agrees not to unreasonably withhold), the Indemnitor may make such Settlement as it (in its sole judgment) deems appropriate or expedient in the circumstances, provided, however, that the Indemnitee shall not be required, as part of any proposed Settlement, to admit liability or agree to idemnify the Indemnitor in respect of, or make contribution to, any compensation or other payment for which provision is made by such Settlement; and

(b) if the Indemnitee fails to give his consent to the terms of a proposed Settlement which is otherwise acceptable to the Indemnitor and the claimant, the Indemnitor may require the Indemnitee to negotiate or defend the Claim or Action independently of the Indemnitor and in such event any amount recovered by such claimant in excess of the amount for which Settlement could have been made by the Indemnitor, shall not be recoverable under this Indemnity, it being further agreed by the parties that the Indemnitor shall only be responsible for legal fees and costs up to the time at which such Settlement could have been made.

2.7 The Indemnitor shall have the right to negotiate a Settlement in respect of any Claim or Action which is founded upon any of the acts specified in §1.2. In the event that the Indemnitor negotiates a Settlement in respect of any of the acts specified in §1.2, the Indemnitee shall pay any compensation or other payment for which provision is made under the Settlement and shall not seek indemnity or contribution from the Indemnitor, within 60 days of the Indemnitor making demand therefor, all fees, costs and expenses (including legal fees and disbursements on a full indemnity basis) which result from the defence of the Claim or the Action in respect of which the Settlement was made, including the cost of any investigation undertaken by the Indemnitor in connection therewith, to the date the Settlement was made.

2.8 The Indemnitor shall pay any Judgment which may be given against the Indemnitee unless any of the circumstances set out in §1.2 applies to the Action in respect of which the Judgment is given or unless and to the extent the Indemnitee is otherwise entitled to indemnity under the policy of insurance as contemplated by §1.2(d) in either case, the Indemnitee shall pay to the Indemnitor, within 60 days of the Indemnitor making demand therefore, all, fees, costs and expenses (including legal fees and disbursements on a full indemnity basis) which result from the defence and appeal of the Action, including the costs of any investigation undertaken by the Indemnitor in connection with the Action.

2.9 Upon the request of the Indemnitee and subject to the restrictions set out in the *Business Corporations Act* (British Columbia), the Indemnitor shall pay the expenses of the Indemnitee incurred in relation to a Claim or an Action indemnified hereunder, provided the Indemnitee hereby gives an undertaking to repay such expenses if it is finally determined that such payments are not indemnifiable under this agreement or prohibited by the *Business Corporations Act* (British Columbia).

3. GENERAL

3.1 Nothing herein contained shall in any way affect the Indemnitee's right to resign from his position as director or officer of the Indemnitor at any time.

3.2 The indemnity and release herein provided for shall survive the termination of the Indemnitee's position as director or officer of the Indemnitor, the termination of this Agreement, and shall continue in full force and effect thereafter.

3.3 Unless stated otherwise, all monies to be paid hereunder shall be paid within 10 days of becoming payable.

3.4 The Indemnitee acknowledges that he or she has been advised to obtain independent legal advice with respect to entering into this Agreement, that he or she has obtained such independent legal advice or has expressly waived such advice, and that he or she is entering into this Agreement with full knowledge of the contents hereof, of his own free will and with full capacity and authority to do so.

3.5 If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect. The parties hereto agree to negotiate in good faith to agree to a substitute provision which shall be as close as possible to the intention of any invalid or unenforceable provision as may be valid or enforceable. The invalidity or unenforceability of any provision in any particular jurisdiction shall not affect its validity or enforceability in any other jurisdiction where it is valid or enforceable.

3.6 Each party hereto agrees to do all such things and take all such actions as may be necessary or desirable to give full force and effect to the matters contemplated by this Agreement.

3.7 This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and permitted assigns.

3.8 Time shall be of the essence of this Agreement.

3.9 This Agreement and the application or interpretation hereof shall be governed exclusively by its terms and by the laws of the Province of British Columbia and the laws of Canada applicable therein and the parties hereto hereby irrevocably attorn to the jurisdiction of the courts of the Province of British Columbia.

IN WITNESS WHEREOF parties hereto have duly executed this Agreement as of the date first written above.

TEKMIRA PHARMACEUTICALS CORPORATION

Per: _____
Authorized Signatory

Signed, Sealed and Delivered by _____ in the presence of:

_____
Witness (Signature)

_____
Name (please print)

_____
Address

_____
City, Province

_____
Occupation

_____

_____

* Confidential Treatment has been requested for the marked portions of this exhibit pursuant to Rule 24B-2 of the Securities Exchange Act of 1934, as amended.

AWARD/CONTRACT	1. THIS CONTRACT IS A RATED ORDER UNDER DPAS (15 CFR 700)	RATING	PAGE	OF PAGES
		DO C9	1	25

2. CONTRACT (Proc. Inst. Ident.) NO.	3. EFFECTIVE DATE	4. REQUISITION/PURCHASE REQUEST/PROJECT NO.
W9113M-10-C-0057	14 July 2010	SEE SCHEDULE

5. ISSUED BY	CODE	6. ADMINISTERED BY (If other than Item 5)	CODE
USASMDC/ARSTRAT SMDC-RDC-EB 64 THOMAS JOHNSON DRIVE FREDERICK MD 21702	W9113M	DCM SEATTLE CORPORATE CAMPUS EAST III 3009 112TH AVE., NE, SUITE 200 BELLEVUE WA 98004-8019	S4801A

7. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code)	8. DELIVERY	9. DISCOUNT FOR PROMPT PAYMENT	10. SUBMIT INVOICES (4 copies unless otherwise specified) TO THE ADDRESS SHOWN IN	ITEM
TEKMIRA PHARMACEUTICALS CORPORTION 8900 GLENLYON PKY SUITE 100 BURNABY V5J5J8	☐ FOB ORIGIN ☒ OTHER (See below)			G

CODE	L8144	FACILITY CODE	

11. SHIP TO/MARK FOR	CODE	12. PAYMENT WILL BE MADE BY	CODE
See Schedule		DFAS-COLUMBUS CETER DFAS-CO/WEST ENTITLEMENT OPERATION PO BOX 182381 COLUMBUS OH 43218-2381	HQ0339

13. AUTHORITY FOR USING OTHER THAN FULL AND OPEN COMPETITION:	14. ACCOUNTING AND APPROPRIATION DATA
☐ 10 U.S.C. 2304(c) ( ) ☐ 41 U.S.C. 253(c) ( )	SEE SCHEDULE

15A. ITEM NO.	15B. SUPPLIES/SERVICES	15C. QUANTITY	15D. UNIT	15E. UNIT PRICE	15F. AMOUNT
	SEE SCHEDULE				
				15G. TOTAL AMOUNT OF CONTRACT	$34,747,879

16. TABLE OF CONTENTS

(X)	SEC.	DESCRIPTION	PAGE(S)	(X)	SEC.	DESCRIPTION	PAGE(S)
		PART I - THE SCHEDULE				PART II - CONTRACT CLAUSES	
X	A	SOLICITATION/CONTRACT FORM	1-2	X	I	CONTRACT CLAUSES	18-24
X	B	SUPPLIES OR SERVICES AND PRICES/COSTS	3-6			PART III - LIST OF DOCUMENTS, EXHIBITS AND OTHER ATTACH.	
X	C	DESCRIPTION/SPECS./WORK STATEMENT	7	X	J	LIST OF ATTACHMENTS	25
X	D	PACKAGING AND MARKING	8			PART IV - REPRESENTATIONS AND INSTRUCTIONS	
X	E	INSPECTION AND ACCEPTANCE	9		K	REPRESENTATIONS, CERTIFICATIONS AND OTHER STATEMENTS OF OFFERORS	
X	F	DELIVERIES OR PERFORMANCE	10		L	INSTRS., CONDS., AND NOTICES TO OFFERORS	
X	G	CONTRACT ADMINISTRATION DATA	11-13		M	EVALUATION FACTORS FOR AWARD	
X	H	SPECIAL CONTRACT REQUIREMENTS	14-17				

CONTRACTING OFFICER WILL COMPLETE ITEM 17 OR 18 AS APPLICABLE

17. ☒ CONTRACTOR'S NEGOTIATED AGREEMENT (Contractor is required to sign this document and return 1 copies to issuing office.) Contractor agrees to furnish and deliver all items or perform all the services set forth or otherwise identified above and on any continuation sheets for the consideration stated herein. The rights and obligations of the parties to this contract shall be subject to and governed by the following documents: (a) this award/contract, (b) the solicitation, if any, and (c) such provisions, representations, certifications, and specifications, as are attached or incorporated by reference herein. (Attachments are listed herein.)

18. ☐ AWARD (Contractor is not required to sign this document.) Your offer on Solicitation Number W9113M-09-R-0008, including the additions or changes made by you which additions or changes are set forth in full above, is hereby accepted as to the terms listed above and on any continuation sheets. This award consummates the contract which consists of the following documents: (a) the Government's solicitation and your offer, and (b) this award/contract. No further contractual document is necessary.

19A. NAME AND TITLE OF SIGNER (Type or Print)	20A. NAME OF CONTRACTING OFFICER
[redacted]	[redacted]

19B. NAME OF CONTRACTOR	19C. DATE SIGNED	20B. UNITED STATES OF AMERICA	20C. DATE SIGNED
BY: [redacted] (Signature of person authorized to sign)	July 13, 2010	BY: [redacted] (Signature of person authorized to sign)	July 14, 2010

AUTHORIZED FOR LOCAL REPRODUCTION
Previous edition is usable

STANDARD FORM 26 (REV. 4/2008)
Prescribed by GS – FAR (48CER) 53.214(a)

***Confidential Treatment Requested.**

Section A – Solicitation/Contract Form

SECTION A

CONTINUATION OF FORM 26

Award is hereby made for the Advanced Development through licensure of a Hemorrhagic Fever Virus Therapeutic.

The Tekmira Pharmaceuticals Corporation proposal dated 1/29/2010 and as revised on 3/22/2010 and 4/30/2010, is incorporated into contract No. W9113M-10-C-0057 in its entirety with the following revisions:

1. A post award audit will be requested by the Government to determine the adequacy of Tekmira Pharmaceuticals Corporation's accounting system. Vouchers submitted prior to an accounting system adequacy determination by the DCAA, and approval by the ACO, are subject to latter adjustment. Each voucher submitted shall have [*]% decremented to ensure the Governments rights are adequately protected until such time as the accounting system is approved. Upon approval, Tekmira may voucher for the withheld amounts for payment.
2. Section G has been revised to include local WAWF clause to include the type and codes required for payment purposes.

3. Section H has been revised to include paragraphs H. 6, requirements from the RFP at Section M.3.4 Post-Award Evaluations of Contractors' Performance and Down-Select Criteria.

4. The following clauses are hereby added to Section I by reference:

52.215-16 Facilities Capital Cost of Money (June 2003)

252.204-7008 Export Controlled Items (April 2010)

5. The following clause is hereby deleted from Section I as follows:

52.232-25 Prompt Payment (OCT 2008)

6. The following clause is hereby revised to remove the last sentence:

52.217-7 Option for Increased quantity-Separately Priced Line Item (MAR 1989)

7. Section 2.2 (and any associate entries in the IMS and/or CWBS) of the Tekmira SOW, Section J, Attachment 1 is hereby removed, as this effort is being conducted prior to date of award and is not covered by this contract.

8. Only those exceptions noted in the Tekmira Final Proposal Revision dated 4/30/2010, pages 3-5 are incorporated into this contract.

***Confidential Treatment Requested.**

Section B - Supplies or Services and Prices

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0001			Lot		$ [*]
	Advanced Development of Hemorrhagic				
	CPIF				
	Fever Virus Therapeutic. Delivery of the developmental therapeutic end item that has successfully achieved all activities associated with completing FDA Phase 1 Clinical Trials exclusive of those required to achieve Technology Readiness Level 4, to include Pre-IND, IND, and Phase I Human Safety Clincal Studies, including Management, Regulatory Affairs, all FDA submissions and official program reporting requirements (to include EVMS if required) in accordance with the Contractor's Statement of Work (SOW), dated 3/22/10, Attachment 1 of Section J. (Note: maturity level of candidate receiving award will determine the specific activities awarded.) Reporting requirements are delineated in Contract Data Requirements List DD Form 1423, attached as Exhibits A001 through A006 in Section J.				
	FOB: Destination				
				TARGET COST	$ [*]
				TARGET FEE	$ [*]
				TOTAL TGT COST + FEE	$ [*]
				MINIMUM FEE	$ [*]
				MAXIMUM FEE	$ [*]
				SHARE RATIO ABOVE TARGET	[*]
				SHARE RATIO BELOW TARGET	[*]

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ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
000101					$ [*]
	Funding for CLIN 0001				
	CPIF				
	FOB: Destination				
				TARGET COST	$ [*]
				TARGET FEE	$ [*]
				TOTAL TGT COST + FEE	$ [*]
				MINIMUM FEE	$ [*]
				MAXIMUM FEE	$ [*]
				SHARE RATIO ABOVE TARGET	
				SHARE RATIO BELOW TARGET	
	ACRN AA				$ [*]
	CIN: 000000000000000000000000000000				

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0002			Lot		$ [*]
OPTION	Advanced Development of Hemorrhagic				
	CPIF				
	Fever Virus Therapeutic. Delivery of the developmental therapeutic end item that has successfully achieved Phase II Pivotal Animal Efficacy Studies. This line item includes all associated Management, Regulatory Affairs, FDA submissions and Official program reporting requirements (to include EVMS if required). In accordance with the Contractor's Statement of Work (SOW), dated 3/22/10, Attachment 1 of Section J. Reporting requirements are delineated in Contract Data Requirements List DD Form 1423, attached as Exhibits A001 through A006 in Section J.				
	FOB: Destination				
				TARGET COST	$ [*]
				TARGET FEE	$ [*]
				TOTAL TGT COST + FEE	$ [*]
				MINIMUM FEE	$ [*]
				MAXIMUM FEE	$ [*]
				SHARE RATIO ABOVE TARGET	[*]
				SHARE RATIO BELOW TARGET	[*]

***Confidential Treatment Requested.**

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0003			Lot		$ [*]
OPTION	Advanced Development of Hemorrhagic				
	CPIF				
	Fever Virus Therapeutic. Delivery of the developmental therapeutic end item that has successfully achieved Phase III Expanded Human Safety Clinical Studies. This line item includes all associated Management, Regulatory Affairs, FDA submissions and Official program reporting requirements (to include EVMS if required). in accordance with the Contractor's Statement of Work (SOW), dated 3/22/10, Attachment 1 of Section J. Reporting requirements are delineated in Contract Data Requirements List DD Form 1423, attached as Exhibits A001 through A006 in Section J.				
	FOB: Destination				
				TARGET COST	$ [*]
				TARGET FEE	$ [*]
				TOTAL TGT COST + FEE	$ [*]
				MINIMUM FEE	$ [*]
				MAXIMUM FEE	$ [*]
				SHARE RATIO ABOVE TARGET	[*]
				SHARE RATIO BELOW TARGET	[*]

***Confidential Treatment Requested.**

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0004			Lot		$ [*]
OPTION	Advanced Development of Hemorrhagic				
	CPIF				
	Fever Virus Therapeutic. New Drug Application and delivery of FDA licensed developmental therapeutic end item to include all New Drug Application and Licensure activities resulting in the delivery of at least one dose of an FDA approved therapeutic. This line item includes all associated Management, Regulatory Affairs, FDA submissions and Official program reporting requirements (to include EVMS if required), in accordance with the Contractor's Statement of Work (SOW), dated 3/22/10, Attachment 1 of Section J. Reporting requirements are delineated in Contract Data Requirements List DD Form 1423, attached as Exhibits A001 through A006 in Section J.				
	FOB: Destination				
				TARGET COST	$ [*]
				TARGET FEE	$ [*]
				TOTAL TGT COST + FEE	$ [*]
				MINIMUM FEE	$ [*]
				MAXIMUM FEE	$ [*]
				SHARE RATIO ABOVE TARGET	[*]
				SHARE RATIO BELOW TARGET	[*]

***Confidential Treatment Requested.**

Section C - Descriptions and Specifications

SECTION C

Contractor’s Statement of Work, dated 3/22/10, Attachment 1, Section J.

Section D - Packaging and Marking

SECTION D

Packaging and Marking shall be in accordance with FDA regulations as described in Contractor’s Statement of Work, dated 3/22/10, Attachment 1 in Section J.

Section E - Inspection and Acceptance

INSPECTION AND ACCEPTANCE TERMS

Supplies/services will be inspected/accepted at:

CLIN	INSPECT AT	INSPECT BY	ACCEPT AT	ACCEPT BY
0001	Destination	Government	Destination	Government
000101	N/A	N/A	N/A	Government
0002	Destination	Government	Destination	Government
0003	N/A	N/A	N/A	Government
0004	Destination	Government	Destination	Government

CLAUSES INCORPORATED BY REFERENCE

52.246-8	Inspection Of Research And Development Cost Reimbursement	MAY 2001
52.246-16	Responsibility For Supplies	APR 1984

CLAUSES INCORPORATED BY FULL TEXT

52.246-11 HIGHER-LEVEL CONTRACT QUALITY (FEB 1999)

The Contractor shall comply with the higher-level quality standard selected below. (If more than one standard is listed, the offeror shall indicate its selection by checking the appropriate block.)

	Title	Number	Date	Tailoring
X	ISO 9001/2000 or higher; Quality System in compliance with FDA Quality requirements			

(End of clause)

Section F - Deliveries or Performance

DELIVERY INFORMATION

CLIN	DELIVERY DATE	QUANTITY	SHIP TO ADDRESS	UIC
0001	04-NOV-2012	Lot	Transformational Medical Technologies Initiative Defense Threat Reduction Agency 8725 John J. Kingman Road, stop 6201 Fort Belvoir, VA, 22060-6201 FOB: Destination	HDTRA1
000101	N/A	N/A	N/A	N/A
0002	11-AUG-2014	Lot	Same as Above FOB: Destination	HDTRA1
0003	24-AUG-2015	Lot	Same as Above FOB: Destination	HDTRA1
0004	03-OCT-2016	Lot	Same as Above FOB: Destination	HDTRA1

CLAUSES INCORPORATED BY REFERENCE

52.242-15 Alt I	Stop-Work Order (Aug 1989) - Alternate I	APR 1984
52.247-34	F.O.B. Destination	NOV 1991

Section G - Contract Administration Data

SECTION G

SECTION G

PAYMENTS:

Detailed Copies of all payment requests will be provided electronically to the Government points of contact listed below at the same time of submission to WAWF:

Contracting Office:

USASMDC
Attn: [*]
64 Thomas Johnson Drive
Frederick, MD 21702
Telephone: 301-619-2895
Fax: 301-619-5069
Email: [*]

Contracting Officers Representative (COR):

[*]
8725 John J. Kingman Road, stop 6201
Fort Belvoir, VA 22060-6201
Telephone: (703)767-2908
Email: [*]

ACCOUNTING AND APPROPRIATION DATA

AA: 970040026TM5YTMW61D255999BD33799000S49012 DODAAC: HD1115
AMOUNT: $[*]
CIN 00000000000000000000000000000000: $[*]

CLAUSES INCORPORATED BY REFERENCE

252.201-7000	Contracting Officer's Representative	DEC 1991

CLAUSES INCORPORATED BY FULL TEXT

INVOICING INSTRUCTIONS

a. The contractor shall submit payment request electronically in accordance with DFARS 252.232-7003 utilizing Wide Area Work Flow (WAWF). The WAWF application allows DOD vendors to submit and track invoices and receipt/acceptance documents electronically. The contractor shall register with WAWF at

https://wawf.eb.mil and ensure an electronic business point of contract (POC) is designated in the Central Contractor Registration site at http://www.ccr.gov within ten (10) days after award of this contract. Payments made under this contract shall be via Electronic Funds Transfer (EFT) and shall be based on the EFT information contained in the Central Contractor Registration (CCR) database. The contractor shall ensure that its EFT information in the CCR database remains current and correct.

b. Multiple pricing structures may be utilized for this contract or, if a task ordering contract, for individual task orders issued thereunder. In order to ensure the successful flow of WAWF documents, the type of payment request submitted shall be based on the following as applicable:

__ **Invoice and Receiving Report (COMBO):** applicable to Firm-Fixed-Price (FFP) contracts/task orders that include the delivery of supplies/hardware.

__ **Invoice as 2-in-1:** applicable to Labor Hour and FFP contracts/task orders for services only.

X **Cost Voucher:** applicable to Time and Material (T&M) and Cost-Reimbursement type contracts/task orders.

__ **Construction Invoice:** applicable to contracts/task orders for construction.

c. WAWF requires the following data for each payment request: *(To be provided by the Government. If a task ordering contract, each awarded task order shall identify this information)*

Contract/Task Order Data

Contractor CAGE Code: L8144
Issue by DODAAC: W9113M
Admin by DODAAC: S4801A
Inspect by DODAAC: S4801A
Accept by DODAAC: S4801A
Ship to DODAAC: HD1115
Payment by DODAAC: HQ0339

Email Points of Contact Listing

Inspector: TBD
Acceptor: TBD
Contracting Specialist: [*]
Contracting Officer:
Contracting Officer's Technical Representative: [*]

d. Questions concerning payments shall be directed to the Defense Finance and Accounting Service (DFAS). The appropriate DFAS office is indentified in the "PAYMENT WILL BE MADE BY" block on the contract award coversheet. Please have your contract and, if applicable, task order number ready when calling about payments. Payment and receipt information may be accessed using the DFAS web site MyInvoice. MyInvoice is a web-based application developed specifically for contractors/vendors and Government/ Military employees to obtain invoice status. It is an interactive web-based system, accessible 24/7. Users must allow pop-up messages within this system. Your contract and, if applicable, task order number or invoice number will be required to inquire about the status of your payment. For additional information, see the MyInvoice website at https://myinvoice.csd.disa.mil/ or visit http://www.dfas.mil/contractorpay/ electroniccommerce/myinvoice.html.

e. The contractor may submit requests for payment through WAWF not more frequently than monthly (or bi-weekly if a small business).

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f. For Labor Hour and T&M contracts/task orders, payment requests for labor shall be based on the total labor hours/DPPH expended thereunder for the applicable billing period. These labor charges shall be derived by applying the total hours expended for each labor category multiplied by the applicable fixed-labor rates specified in the contract/task order. Labor charges for cost-reimbursement contracts/task orders shall be based on the total hours expended for each labor category multiplied by actual direct labor rates plus applicable indirect burdens and fee. Travel and ODC/material under T&M and Cost-Reimbursement type contracts/task orders shall be billed at actual costs. For each payment request, the contractor shall attach/upload into WAWF sufficient documentation as to how the billed amounts were derived/calculated.

g. For Firm-Fixed-Price contracts/task orders, payments on the total contract price (excluding any unexercised options) may be requested in equal monthly (or bi-weekly if a small business) amounts calculated over the life of the contract/task order unless alternative payment schedules (e.g., performance-based payments) are specified elsewhere in the contract, or if applicable, in individual task orders.

h. For each payment request, the contractor shall maintain sufficient documentation to substantiate the submitted charges. Such documentation shall include evidence of actual expenditures/payment such as individual daily job timecards, subcontractor/vendor invoices and payment receipts, or other substantiation specified by the Contracting Officer. Such data shall be maintained and readily available for audit purposes, but shall not be included with the WAWF submission. The contractor shall provide such documentation within 7 days of request by the Procuring Contracting Officer, Administrative Contracting Officer, or DCAA auditor.

i. The contractor shall ensure that each payment request submitted in WAWF denotes that the Contracting Officer and Contract Specialist will receive a copy of the payment request notice.

j. Except for FFP contracts/task orders, the contractor and each assignee under an assignment entered into under this contract or, if applicable, an individual task order and in effect at the time of final payment on this contract or, if applicable, an individual task order issued under this contract, shall execute and deliver, at the time of and as a condition precedent to, any final payment thereunder, a release discharging the Government, its officers, agents, and employees, of and from all liabilities, obligations, and claims arising out of, or under, the specific contract/task order. These closing documents shall be submitted with the final payment request.

k. The contractor shall submit final payment requests for Labor Hour and FFP contracts/task orders within 120 days (or longer if approved in writing by the Contracting Officer) after contract/order completion. For T&M or Cost-Reimbursement type contracts/task orders, the contractor shall prepare a final payment request within 120 days (or longer if approved in writing by the Contracting Officer) after settlement of the final annual indirect cost rates to reflect the settled amounts and rates for the performance period covered. The cognizant DCAA shall perform a final audit on the contractor’s final payment request to determine allowable costs. The Administrative Contracting Officer may utilize the cumulative allowable worksheets included with the DCAA incurred cost audit reports in lieu of requesting DCAA to perform the final closeout audit to determine the final costs on the cost reimbursable portions of the contract/task order.

Section H - Special Contract Requirements

CLAUSES INCORPORATED BY REFERENCE

252.234-7002	Earned Value Management System	APR 2008

SECTION H

H. 1 SECURITY CONSIDERATIONS

At this time, there are no anticipated classified materials or performance required for this acquisition. However, if mandated by a program and/or contractual requirements in the future, the selected contractor(s) may need to have a Facility Security Clearance and Personnel Security Clearances to maintain a safeguarding capability through SECRET clearance level in accordance with the Industrial Security Regulation, DoD 5220.22-R and the National Industrial Security Program Operating Manual, DoD 5220.22-M. Following contract award, should classified information be required, it will be safeguarded in accordance with these documents, including submission of a DD Form 254 and Government generation of a Security Classification Guide. The contractor(s) will receive routine Government audits of their industrial security management system to ensure adequate security safeguards have been established and maintained. The Government's assigned Industrial Security Representative will determine the frequency of such formal reviews, but a review will normally be conducted on an annual basis.

Although not anticipated at this time, should performance of the contract(s) require physical access to a Federally-controlled facility, the contractor(s) shall comply with the Office of Management and Budget Guidance M-05-24, dated August 5, 2005, Implementation of Homeland Security Presidential Directive 12-Policy for a Common Identification Standard for Federal Employees and Contractors. The Government will coordinate all actions necessary for access to a Federally-controlled facility to ensure proper and only essential access is provided to the contractor(s).

Ebola and Marburg viruses are category A select agents as classified by the CDC and require BSL-4 containment facilities. Therefore, this contract will involve access to Biological Select Agents and Toxins (BSAT). The Contractors will be required to certify they are registered in accordance with Federal, State, and local regulations, including with the CDC and the Animal and Plant Health Inspection Service. The Contractor will be required to comply with DoD Directive 5210.88, Safeguarding Biological Select Agents and Toxins; DoDI 5210.89, Minimum Security Standards for Safeguarding Biological Select Agents and Toxins; Army Regulation (AR) 50-1, Biological Surety; and AR 190-17, Biological Select Agents and Toxins Security Program; and AR 190-51, Army Physical Security Program.

The HFV Class will not generate or require the use of classified information or classified material of any kind. The data generated in the projects would be considered “unclassified controlled information” at best. The Contractor must meet the requirements for working with unclassified controlled information set forth by DoDD 5200.1.

The Contractor will comply with DoDD 5200.1 Appendix C in the marking of all documents and media items, safeguarding of all information, accessing of all information, storage of all project data, reproduction and disposal of all information, handling and transport of all information, management of the Information Security Program, and limited control and distribution of some project documents.

H.2 TEST AND EVALUATION

The HFV Class of Therapeutics will be developed in full accordance with FDA regulations and guidelines established by CFR 21, the Pure Food and Drug Act. The FDA mandates test and evaluation processes that follow a series of phases that establish the effectiveness and safety of new drugs. The FDA issues extensive mandatory guidance and requires submission of substantive evidence for FDA review. Only after FDA approval can work proceed from one phase to the next. The FDA process is mandatory for licensure. The Government will utilize the Contractor’s validated information and FDA process documentation in evaluating progress and conformance with TPP Guidelines.

H.3. PROHIBITION OF USE OF LABORATORY ANIMALS

Information and guidance is provided at the following web site:

https://mrmc.amedd.army.mil/index.cfm?pageid=research_protections.acuro

https://mrmc.amedd.army.mil/rodorpaurd.asp

** PROHIBITION – READ FURTHER FOR DETAILS **

Notwithstanding any other provisions contained in this award or incorporated by reference herein, the recipient is expressly forbidden to use or subcontract for the use of laboratory animals in any manner whatsoever without the express written approval of the US Army Medical Research and Materiel

Command, Animal Care and Use Office. You will receive written approval to begin research under the applicable protocol proposed for this award from the US Army Medical Research and Materiel Command, Animal Care and Use Office under separate letter to the recipient and Principal Investigator. A copy of this approval will be provided to the US Army Space and Missile Defense Command for the official file. Non-compliance with any provision of this clause may result in the termination of the award.

H.4. PROHIBITION OF USE OF HUMAN SUBJECTS

Information and guidance is provided at the following web site:

https://mrmc.amedd.army.mil/rodorphrpo.asp

** PROHIBITION – READ FURTHER FOR DETAILS **

Research under this award involving the use of human subjects may not begin until the U.S. Army Medical Research and Materiel Command's Office of Research Protections, Human Research Protections Office (HRPO) approves the protocol. Written approval to begin research or subcontract for the use of human subjects under the applicable protocol proposed for this award will be issued from the US Army Medical Research and Materiel Command, HRPO, under separate letter to the funded institution and the Principal Investigator. A copy of this approval will be provided to the US Army Space and Missile Defense Command for the official file. Non-compliance with any provision of this clause may result in withholding of funds and or the termination of the award.

H.5. PROHIBITION OF USE OF HUMAN ANATOMICAL SUBSTANCES

Information and guidance is provided at the following web site:

https://mrmc.amedd.army.mil/rodorphrpo.asp

** PROHIBITION – READ FURTHER FOR DETAILS **

Research at funded institutions using human anatomical substances may not begin until the U.S. Army Medical Research and Materiel Command's Office of Research Protections, Human Research Protections Office (HRPO) approves the protocol. Written approval to begin research or subcontract for the use of human anatomical substances under the applicable protocol proposed for this award will be issued from the US Army Medical Research and Materiel Command, HRPO, under separate letter to the funded institution and the Principal Investigator. A copy of this approval will be provided to the US Army Space and Missile Defense Command for the official file. Non-compliance with any provision of this clause may result in withholding of funds and or the termination of the award.

H.6. Post-Award Evaluations of Contractors' Performance and Down-Select Criteria

H.6.1 This acquisition provides that Contractors with products that fail in development or in default of contract requirements will not be continued by option exercise (if not defaulted sooner).

H.6.2 All other performing Contractors will not be denied the opportunity to continue performance under an option clause by the Government's decision to exercise or not exercise an option, or otherwise, absent a best value comparative evaluation using established RFP evaluation criteria. The criteria shall include, but not be limited to, post-award performance, the Government's preference to avoid therapeutics addressing duplicative indications and the Anti-Viral TPP Guidelines. Trade-offs can be considered at down-select points in the evaluation of each candidate against the evaluation criteria. The Government's right to unilaterally decide not to exercise all options and to discontinue the development of all HFV therapeutics is paramount.

H.6.3 In the event a best value comparative evaluation becomes necessary or is desired at a down- select point, selection shall be based on evaluation of the contractors' actual post-award contract performance against evaluation criteria established in the RFP to include the Anti-Viral TPP Guidelines and the Government's preference to avoid therapeutics addressing duplicative indications.

Section I - Contract Clauses

CLAUSES INCORPORATED BY REFERENCE

52.202-1	Definitions	JUL 2004
52.203-3	Gratuities	APR 1984
52.203-5	Covenant Against Contingent Fees	APR 1984
52.203-6	Restrictions On Subcontractor Sales To The Government	SEP 2006
52.203-7	Anti-Kickback Procedures	JUL 1995
52.203-8	Cancellation, Rescission, and Recovery of Funds for Illegal or Improper Activity	JAN 1997
52.203-10	Price Or Fee Adjustment For Illegal Or Improper Activity	JAN 1997
52.203-12	Limitation On Payments To Influence Certain Federal Transactions	SEP 2007
52.203-14	Display of Hotline Poster(s)	DEC 2007
52.204-4	Printed or Copied Double-Sided on Recycled Paper	AUG 2000
52.204-7	Central Contractor Registration	APR 2008
52.204-10	Reporting Subcontract Awards	SEP 2007
52.209-6	Protecting the Government’s Interest When Subcontracting With Contractors Debarred, Suspended, or Proposed for Debarment	SEP 2006
52.211-5	Material Requirements	AUG 2000
52.215-2	Audit and Records—Negotiation	MAR 2009
52.215-2 Alt I	Audit and Records—Negotiation (Mar 2009) Alternate I	MAR 2009
52.215-8	Order of Precedence—Uniform Contract Format	OCT 1997
52.215-10	Price Reduction for Defective Cost or Pricing Data	OCT 1997
52.215-11	Price Reduction for Defective Cost or Pricing Data—Modifications	OCT 1997
52.215-12	Subcontractor Cost or Pricing Data	OCT 1997
52.215-13	Subcontractor Cost or Pricing Data—Modifications	OCT 1997
52.215-15	Pension Adjustments and Asset Reversions	OCT 2004
52.215-16	Facilities Capital Cost of Money	JUN 2003
52.215-19	Notification of Ownership Changes	OCT 1997
52.215-23	Limitations on Pass-Through Charges	OCT 2009
52.216-7	Allowable Cost And Payment	DEC 2002
52.219-6	Notice Of Total Small Business Set-Aside	JUN 2003
52.219-8	Utilization of Small Business Concerns	MAY 2004
52.219-14	Limitations On Subcontracting	DEC 1996
52.222-19	Child Labor—Cooperation with Authorities and Remedies	AUG 2009
52.222-20	Walsh-Healey Public Contracts Act	DEC 1996
52.222-21	Prohibition Of Segregated Facilities	FEB 1999
52.222-26	Equal Opportunity	MAR 2007
52.222-35	Equal Opportunity For Special Disabled Veterans, Veterans of the Vietnam Era, and Other Eligible Veterans	SEP 2006
52.222-36	Affirmative Action For Workers With Disabilities	JUN 1998
52.222-37	Employment Reports On Special Disabled Veterans, Veterans Of The Vietnam Era, and Other Eligible Veterans	SEP 2006
52.222-39	Notification of Employee Rights Concerning Payment of Union Dues or Fees	DEC 2004
52.222-50	Combating Trafficking in Persons	FEB 2009
52.223-3	Hazardous Material Identification And Material Safety Data	JAN 1997
52.223-6	Drug-Free Workplace	MAY 2001
52.223-14	Toxic Chemical Release Reporting	AUG 2003
52.225-13	Restrictions on Certain Foreign Purchases	JUN 2008

52.227-1	Authorization and Consent	DEC 2007
52.227-2	Notice And Assistance Regarding Patent And Copyright Infringement	DEC 2007
52.227-11	Patent Rights—Ownership By The Contractor	DEC 2007
52.227-14	Rights in Data—General	DEC 2007
52.228-7	Insurance—Liability To Third Persons	MAR 1996
52.232-1	Payments	APR 1984
52.232-17	Interest	OCT 2008
52.232-20	Limitation Of Cost	APR 1984
52.232-22	Limitation Of Funds	APR 1984
52.232-23	Assignment Of Claims	JAN 1986
52.232-33	Payment by Electronic Funds Transfer—Central Contractor Registration	OCT 2003
52.233-1	Disputes	JUL 2002
52.233-3 Alt I	Protest After Award (Aug 1996) - Alternate I	JUN 1985
52.233-4	Applicable Law for Breach of Contract Claim	OCT 2004
52.242-1	Notice of Intent to Disallow Costs	APR 1984
52.242-3	Penalties for Unallowable Costs	MAY 2001
52.242-4	Certification of Final Indirect Costs	JAN 1997
52.242-13	Bankruptcy	JUL 1995
52.242-15 Alt I	Stop-Work Order (Aug 1989) - Alternate I	APR 1984
52.242-17	Government Delay Of Work	APR 1984
52.243-2	Changes—Cost-Reimbursement	AUG 1987
52.243-2 Alt V	Changes—Cost-Reimbursement (Aug 1987) - Alternate V	APR 1984
52.244-2	Subcontracts	JUN 2007
52.244-5	Competition In Subcontracting	DEC 1996
52.244-6	Subcontracts for Commercial Items	AUG 2009
52.249-6	Termination (Cost Reimbursement)	MAY 2004
52.249-14	Excusable Delays	APR 1984
52.253-1	Computer Generated Forms	JAN 1991
252.203-7000	Requirements Relating to Compensation of Former DoD Officials	JAN 2009
252.203-7001	Prohibition On Persons Convicted of Fraud or Other Defense-Contract-Related Felonies	DEC 2008
252.204-7004 Alt A	Central Contractor Registration (52.204-7) Alternate A	SEP 2007
252.204-7006	Billing Instructions	OCT 2005
252.204-7008	Export-Controlled Items	APR 2010
252.205-7000	Provision Of Information To Cooperative Agreement Holders	DEC 1991
252.209-7004	Subcontracting With Firms That Are Owned or Controlled By The Government of a Terrorist Country	DEC 2006
252.211-7003	Item Identification and Valuation	AUG 2008
252.215-7000	Pricing Adjustments	DEC 1991
252.215-7000	Pricing Adjustments	DEC 1991
252.215-7004	Excessive Pass-Through Charges	MAY 2008
252.215-7004	Excessive Pass-Through Charges	MAY 2008
252.223-7001	Hazard Warning Labels	DEC 1991
252.225-7004	Report of Contract Performance Outside the United States and Canada—Submission after Award	MAY 2007
252.225-7006	Quarterly Reporting of Actual Contract Performance Outside the United States	MAY 2007
252.225-7012	Preference For Certain Domestic Commodities	DEC 2008
252.227-7039	Patents—Reporting Of Subject Inventions	APR 1990
252.232-7003	Electronic Submission of Payment Requests and Receiving Reports	MAR 2008
252.232-7010	Levies on Contract Payments	DEC 2006

252.235-7002	Animal Welfare	DEC 1991
252.235-7004	Protection of Human Subjects	JUL 2009
252.243-7002	Requests for Equitable Adjustment	MAR 1998
252.244-7000	Subcontracts for Commercial Items and Commercial Components (DoD Contracts)	AUG 2009
252.247-7023	Transportation of Supplies by Sea	MAY 2002
252.247-7024	Notification Of Transportation Of Supplies By Sea	MAR 2000

CLAUSES INCORPORATED BY FULL TEXT

52.216-10 INCENTIVE FEE (MAR 1997)

(a) General. The Government shall pay the Contractor for performing this contract a fee determined as provided in this contract.

(b) Target cost and target fee. The target cost and target fee specified in the Schedule are subject to adjustment if the contract is modified in accordance with paragraph (d) below.

(1) “Target cost,” as used in this contract, means the estimated cost of this contract as initially negotiated, adjusted in accordance with paragraph (d) below.

(2) “Target fee,” as used in this contract, means the fee initially negotiated on the assumption that this contract would be performed for a cost equal to the estimated cost initially negotiated, adjusted in accordance with paragraph (d) below.

(c) Withholding of payment. Normally, the Government shall pay the fee to the Contractor as specified in the Schedule. However, when the Contracting Officer considers that performance or cost indicates that the Contractor will not achieve target, the Government shall pay on the basis of an appropriate lesser fee. When the Contractor demonstrates that performance or cost clearly indicates that the Contractor will earn a fee significantly above the target fee, the Government may, at the sole discretion of the Contracting Officer, pay on the basis of an appropriate higher fee. After payment of [*] percent of the applicable fee, the Contracting Officer may withhold further payment of fee until a reserve is set aside in an amount that the Contracting Officer considers necessary to protect the Government’s interest. This reserve shall not exceed [*] percent of the applicable fee or $[*], whichever is less. The Contracting Officer shall release [*] percent of all fee withholds under this contract after receipt of the certified final indirect cost rate proposal covering the year of physical completion of this contract, provided the Contractor has satisfied all other contract terms and conditions, including the submission of the final patent and royalty reports, and is not delinquent in submitting final vouchers on prior years’ settlements. The Contracting Officer may release up to [*] percent of the fee withholds under this contract based on the Contractor’s past performance related to the submission and settlement of final indirect cost rate proposals.

(d) Equitable adjustments. When the work under this contract is increased or decreased by a modification to this contract or when any equitable adjustment in the target cost is authorized under any other clause, equitable adjustments in the target cost, target fee, minimum fee, and maximum fee, as appropriate, shall be stated in a supplemental agreement to this contract.

(e) Fee payable. (1) The fee payable under this contract shall be the target fee increased by [*] [Contracting Officer insert Contractor’s participation] cents for every dollar that the total allowable cost is less than the target cost or decreased by [*], [Contracting Officer insert Contractor’s participation] cents for every dollar that the total allowable cost exceeds the target cost. In no event shall the fee be greater than [*][Contracting Officer insert percentage] percent or less than …… [*] [Contracting Officer insert percentage] percent of the target cost.

(2) The fee shall be subject to adjustment, to the extent provided in paragraph (d) above, and within the minimum and maximum fee limitations in subparagraph (1) above, when the total allowable cost is increased or decreased as a consequence of (i) payments made under assignments or (ii) claims excepted from the release as required by paragraph (h)(2) of the Allowable Cost and Payment clause.

(3) If this contract is terminated in its entirety, the portion of the target fee payable shall not be subject to an increase or decrease as provided in this paragraph. The termination shall be accomplished in accordance with other applicable clauses of this contract.

(4) For the purpose of fee adjustment, “total allowable cost” shall not include allowable costs arising out of—

(i) Any of the causes covered by the Excusable Delays clause to the extent that they are beyond the control and without the fault or negligence of the Contractor or any subcontractor;

(ii) The taking effect, after negotiating the target cost, of a statute, court decision, written ruling, or regulation that results in the Contractor’s being required to pay or bear the burden of any tax or duty or rate increase in a tax or duty;

(iii) Any direct cost attributed to the Contractor’s involvement in litigation as required by the Contracting Officer pursuant to a clause of this contract, including furnishing evidence and information requested pursuant to the Notice and Assistance Regarding Patent and Copyright Infringement clause;

(iv) The purchase and maintenance of additional insurance not in the target cost and required by the Contracting Officer, or claims for reimbursement for liabilities to third persons pursuant to the Insurance Liability to Third Persons clause;

(v) Any claim, loss, or damage resulting from a risk for which the Contractor has been relieved of liability by the Government Property clause; or

(vi) Any claim, loss, or damage resulting from a risk defined in the contract as unusually hazardous or as a nuclear risk and against which the Government has expressly agreed to indemnify the Contractor.

(5) All other allowable costs are included in “total allowable cost” for fee adjustment in accordance with this paragraph (e), unless otherwise specifically provided in this contract.

(f) Contract modification. The total allowable cost and the adjusted fee determined as provided in this clause shall be evidenced by a modification to this contract signed by the Contractor and Contracting Officer.

(g) Inconsistencies. In the event of any language inconsistencies between this clause and provisioning documents or Government options under this contract, compensation for spare parts or other supplies and services ordered under such documents shall be determined in accordance with this clause.

(End of clause)

52.217-7 OPTION FOR INCREASED QUANTITY—SEPARATELY PRICED LINE ITEM (MAR 1989)

The Government may require the delivery of the numbered line item, identified in the Schedule as an option item, in the quantity and at the price stated in the Schedule. The Contracting Officer may exercise the option by written notice to the Contractor within [*] days.

(End of clause)

52.219-28 POST-AWARD SMALL BUSINESS PROGRAM REREPRESENTATION (APR 2009)

(a) Definitions. As used in this clause—

Long-term contract means a contract of more than five years in duration, including options. However, the term does not include contracts that exceed five years in duration because the period of performance has been extended for a cumulative period not to exceed six months under the clause at 52.217-8, Option to Extend Services, or other appropriate authority.

Small business concern means a concern, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on Government contracts, and qualified as a small business under the criteria in 13 CFR part 121 and the size standard in paragraph (c) of this clause. Such a concern is not dominant in its field of operation" when it does not exercise a controlling or major influence on a national basis in a kind of business activity in which a number of business concerns are primarily engaged. In determining whether dominance exists, consideration shall be given to all appropriate factors, including volume of business, number of employees, financial resources, competitive status or position, ownership or control of materials, processes, patents, license agreements, facilities, sales territory, and nature of business activity.

(b) If the Contractor represented that it was a small business concern prior to award of this contract, the Contractor shall rerepresent its size status according to paragraph (e) of this clause or, if applicable, paragraph (g) of this clause, upon the occurrence of any of the following:

(1) Within 30 days after execution of a novation agreement or within 30 days after modification of the contract to include this clause, if the novation agreement was executed prior to inclusion of this clause in the contract.

(2) Within 30 days after a merger or acquisition that does not require a novation or within 30 days after modification of the contract to include this clause, if the merger or acquisition occurred prior to inclusion of this clause in the contract.

(3) For long-term contracts—

(i) Within 60 to 120 days prior to the end of the fifth year of the contract; and

(ii) Within 60 to 120 days prior to the date specified in the contract for exercising any option thereafter.

(c) The Contractor shall rerepresent its size status in accordance with the size standard in effect at the time of this rerepresentation that corresponds to the North American Industry Classification System (NAICS) code assigned to this contract. The small business size standard corresponding to this NAICS code can be found at http://www.sba.gov/services/contractingopportunities/sizestandardstopics/.

(d) The small business size standard for a Contractor providing a product which it does not manufacture itself, for a contract other than a construction or service contract, is 500 employees.

(e) Except as provided in paragraph (g) of this clause, the Contractor shall make the rerepresentation required by paragraph (b) of this clause by validating or updating all its representations in the Online Representations and Certifications Application and its data in the Central Contractor Registration, as necessary, to ensure that they reflect the Contractor's current status. The Contractor shall notify the contracting office in writing within the timeframes specified in paragraph (b) of this clause that the data have been validated or updated, and provide the date of the validation or update.

(f) If the Contractor represented that it was other than a small business concern prior to award of this contract, the Contractor may, but is not required to, take the actions required by paragraphs (e) or (g) of this clause.

(g) If the Contractor does not have representations and certifications in ORCA, or does not have a representation in ORCA for the NAICS code applicable to this contract, the Contractor is required to complete the following rerepresentation and submit it to the contracting office, along with the contract number and the date on which the rerepresentation was completed:

The Contractor represents that it ( ) is, ( ) is not a small business concern under NAICS Code 541711- assigned to contract number.

(Contractor to sign and date and insert authorized signer’s name and title).

(End of clause)

52.252-2 CLAUSES INCORPORATED BY REFERENCE (FEB 1998)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this/these address(es):

http://farsite.hill.af.mil

(End of clause)

252.204-7000 DISCLOSURE OF INFORMATION (DEC 1991)

(a) The Contractor shall not release to anyone outside the Contractor’s organization any unclassified information, regardless of medium (e.g., film, tape, document), pertaining to any part of this contract or any program related to this contract, unless—

(1) The Contracting Officer has given prior written approval; or

(2) The information is otherwise in the public domain before the date of release.

(b) Requests for approval shall identify the specific information to be released, the medium to be used, and the purpose for the release. The Contractor shall submit its request to the Contracting Officer at least 45 days before the proposed date for release.

(c) The Contractor agrees to include a similar requirement in each subcontract under this contract. Subcontractors shall submit requests for authorization to release through the prime contractor to the Contracting Officer.

(End of clause)

252.235-7010 Acknowledgment of Support and Disclaimer. (MAY 1995)

(a) The Contractor shall include an acknowledgment of the Government’s support in the publication of any material based on or developed under this contract, stated in the following terms: This material is based upon work supported by the US Army Space and Missile Defense Command under Contract No. [Insert upon award]

(b) All material, except scientific articles or papers published in scientific journals, must, in addition to any notices or disclaimers by the Contractor, also contain the following disclaimer: Any opinions, findings and conclusions or recommendations expressed in this material are those of the author(s) and do not necessarily reflect the views of the [name of contracting agency(ies)].

Section J - List of Documents, Exhibits and Other Attachments

SECTION J

LIST OF ATTACHMENTS

Attachment No.	Description	Date	Number of Pages
1	Contractor's Statement of Work	3/22/10	20

Exhibit No.

A001 Contract Work Breakdown Structure (CWBS)
A002 Contractor's Progress, Status, & Management Report
A003 Contract Funds Status Report, DD Form 1586
A004 Integrated Master Schedule
A005 Contract Performance Report
A006 In Process Review

* Confidential Treatment has been requested for the marked portions of this exhibit pursuant to Rule 24B-2 of the Securities Exchange Act of 1934, as amended.

LICENSE AGREEMENT

THIS AGREEMENT is dated effective July 1, 1998,

AMONG:

THE UNIVERSITY OF BRITISH COLUMBIA, a corporation continued under the University Act of British Columbia and having its administrative offices at 2075 Wesbrook Mall, in the City of Vancouver, in the Province of British Columbia, V6T 1W5,

(the "***University***")

AND:

INEX PHARMACEUTICALS CORPORATION, a corporation duly incorporated under the laws of the Province of British Columbia and having an office at 100—8900 Glenlyon Parkway , in the City of Burnaby, in the Province of British Columbia, V5J 5J8

(the "***Licensee***")

WHEREAS:

A. Dr. Pieter R. Cullis, Professor, Department of Biochemistry and Molecular Biology at the University has been engaged in research during the course of which the University has invented, developed and/or acquired certain technology which is subject to the Licensee's option pursuant to a Research Agreement dated February 1, 1993 and a Collaborative Research Agreement dated effective January 1, 1999 and successor agreements thereto;

B. Pursuant to research agreements between the University and the Licensee, the University has been engaged in research during the course of which it has invented, developed and/or acquired certain technology relating to liposome drug delivery technologies;

C. On or about July 1, 1998, the University and the Licensee entered into a License Agreement relating to certain liposome drug delivery technologies, (the "***1998 License***"). On or about March 16, 1999, the Licensee and Esperion Therapeutics, Inc. ("***Esperion***") entered into a sublicense agreement whereby certain technology licensed by the University to the Licensee under the 1998 License relating to liposome compositions and methods for the treatment of atherosclerosis (the "***UBC 94-049 Technology***"), was sublicensed by the Licensee to Esperion (the "***Esperion Sublicense***");

D. The University and the Licensee have now agreed to consolidate in one License Agreement:

(i) all of the technologies invented, developed and/or acquired pursuant to the research agreements between the University and the Licensee since entering into the 1998 License, and in respect of which the Licensee has validly exercised its option to obtain a License, (which technologies have been listed and identified in Part I of the attached Schedule "**A**"); and

(ii) all of the technologies licensed by the University to the Licensee under the terms of the 1998 License (which technologies have been listed and identified in Part II of the attached Schedule "**A**"), excepting only the UBC 94-049 Technology sublicensed by the Licensee to Esperion under the Esperion Sublicense;

E. In order to effect the consolidation of the new technologies and the technologies licensed under the 1998 License, the University and the Licensee have agreed to amend the 1998 License so as to delete and remove from the 1998 License all of the technologies licensed by the University to the Licensee under the terms of the 1998 License (with the exception only of the UBC 94-049 Technology sublicensed by the Licensee to Esperion under the Esperion Sublicense) and to grant a new license with respect to all of the remaining technologies to the Licensee under the terms of this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and of the mutual covenants herein set forth, the parties hereto have covenanted and agreed as follows:

1.0 DEFINITIONS:

1.1 In this Agreement, unless a contrary intention appears, the following words and phrases shall mean:

(a) "**Accounting**": an accounting statement setting out in detail how the amount of Revenue and Sublicensing Revenue received by the Licensee and its Affiliates and sublicensees is determined.

(b) "**Affiliate**" or "**Affiliated Company**" or "**Affiliated Companies**": with respect to any specified person, any other person that directly controls, is controlled by, or is under common control with, such specified person. For the purposes of this Article 1.1(b), "**control**" shall mean:

(i) in the case of corporate entities, the direct or indirect ownership of at least 50% of the stock or participating shares entitled to vote in the general meeting of shareholders, and

(ii) in the case of a partnership or other legal entity, ownership of at least 50% interest in the income or at least a 50% interest in the power to direct the management or policies of such entity.

For the purposes of this Agreement, the parties agree that Protiva Biotherapeutics Inc. shall not be an Affiliate of the Licensee.

(c) "**Collaborative Research Agreement**": the Collaborative Research Agreement between the parties dated effective January 1, 1999 and successor agreements thereto.

(d) "**Confidential Information**": any part of the Information which is furnished by either party to the other and designated at that time as confidential, whether orally or in writing but excluding any part of the Information:

(i) possessed by the Recipient prior to receipt from the Discloser, as evidenced by the Recipient's business records;

(ii) published or available to the general public otherwise than through a breach of this Agreement;

(iii) obtained by the Recipient from a third party with a valid right to disclose it, provided that said third party is not known by the Recipient to be under a confidentiality obligation to the Discloser ; or

(iv) independently developed by employees, agents or consultants of the Recipient who had no knowledge of or access to the Confidential Information as evidenced by the Recipient's business records.

(e) "**Date of Commencement**" or "**Commencement Date**": this Agreement will be deemed to have come into force on the Date of Commencement which shall be July 1, 1998, and shall be read and construed accordingly.

(f) "**Discloser**": means a party to this Agreement providing its Confidential Information to the other party as Recipient.

(g) "**Effective Date of Termination**": the date on which this Agreement is terminated pursuant to Article 17.

(h) "**Information**": any and all Technology, the terms and conditions of this Agreement, and any and all oral, written, electronic or other communications and other information disclosed or provided by the parties including any and all analyses or conclusions drawn or derived therefrom regarding this Agreement and information developed or disclosed hereunder, or any party's raw materials, processes, formulations, analytical procedures, methodologies, products, samples and specimens or functions.

(i) "**Patent(s)**": all Valid Claims of the following intellectual property:

(i) the Canadian, United States and foreign patents and/or patent applications listed in Schedule "**A**";

(ii) Canadian, United States and foreign patents issued from the applications listed in Schedule "**A**" and from any and all divisionals and continuations of these applications;

(iii) claims of Canadian, United States and foreign continuation-in-part applications and of the resulting patents, which are directed to subject matter specifically described in the Canadian, United States, and foreign applications listed in Schedule "**A**"

(iv) claims of all foreign patent applications, and of the resulting patents, which are directed to subject matter specifically described in the Canadian and United States patents and/or patent applications described in (i), (ii) or (iii) above; and

(v) any reissues of United States, Canadian or foreign patents described in (i), (ii), (iii) or (iv) above.

(j) "**Product(s)**": goods, the manufacture, use or sale of which would, but for the license granted herein, infringe a Valid Claim of one or more of the Patent(s).

(k) "**Recipient**": means a party to this Agreement receiving Confidential Information of the other party as Discloser.

(l) "**Revenue**": all revenues, receipts, monies, and the fair market value of all other consideration collected or received by the Licensee or its Affiliates from a sublicensee or other third party whether by way of cash or credit or any barter, benefit, advantage, or concession (but not including Sublicensing Revenue) from the marketing, manufacturing, sale, distribution, or use, of the Technology and/or any Products in any or all parts of the world where the Licensee is permitted by law and this Agreement to market, manufacture, sell, distribute or use the Technology and/or any Products, in such national jurisdictions where a Valid Claim subsists, on a country by country basis, less the following deductions to the extent included in the amounts invoiced and thereafter actually allowed and taken:

(i) credit, allowances or refunds given on account of returned goods,

(ii) transportation charges invoiced separately and actually charged to third parties,

(iii) taxes, duties and customs on all sales of Products,

(iv) agents' commissions paid by the Licensee for the sale of Products, and

(v) bona fide special rebates provided by the Licensee for Products purchased by third parties.

Where any Revenue is derived from a country other than Canada it shall be converted to the equivalent in Canadian dollars on the date the Licensee is deemed to have received such Revenue pursuant to the terms hereof at the rate of exchange set by the Royal Bank of Canada for buying such currency. The amount of Canadian dollars pursuant to such conversion shall be included in the Revenue.

(m) "**Royalty Due Dates**": the last working day of March, June, September and December of each and every year during which this Agreement remains in full force and effect.

(n) "**Sublicensing Revenue**": all revenues, receipts, monies, milestone payments and research fees (in respect of either milestone payments or research fees, only to the extent that same are in excess of reimbursement for the direct costs of research and development or pursuit of regulatory approval undertaken by the Licensee or its Affiliates, pursuant to a written research or development plan),

payments, royalties, license fees and the fair market value of all other consideration collected or received by the Licensee or its Affiliates whether by way of cash, or credit or any barter, benefit, advantage, or concession pursuant to each sublicense agreement relating to Valid Claims which form a part of the Technology and/or any Products (but not including Revenue). Where any Sublicensing Revenue is derived from a country other than Canada it shall be converted to the equivalent in Canadian dollars on the date the Licensee is deemed to have received such Sublicensing Revenue pursuant to the terms hereof at the rate of exchange set by the Royal Bank of Canada for buying such currency. The amount of Canadian dollars pursuant to such conversion shall be included in the Sublicensing Revenue.

(o) "**Technology**": the Patent(s) and any and all knowledge, know-how and/or technique or techniques invented, developed and/or acquired, being invented, developed and/or acquired by the University solely or jointly with the Licensee relating to the Patent(s) as listed in Schedule "***A***" hereto, as amended from time to time, including, without limitation, all research, data, specifications, instructions, manuals, papers or other materials of any nature whatsoever, whether written or otherwise, relating to same.

(p) "**UBC Trade-marks**": any mark, trade-mark, service mark, logo, insignia, seal, design, symbol, or device used by the University in any manner whatsoever.

(q) "**Valid Claim**": shall mean either:

(i) a claim of an issued and unexpired patent included within the Technology, which has not been held unenforceable, unpatentable or invalid by a court or other governmental agency of competent jurisdiction, and which has not been admitted to be invalid or unenforceable through reissue, disclaimer or otherwise, or

(ii) a claim in a hypothetical issued patent corresponding to a pending claim in a patent application within the Technology, provided that if such pending claim has not issued as a claim of an issued patent within the Technology within [*] years after the filing date of such patent application, such pending claim shall not be a Valid Claim for purposes of this Agreement. In the event that a claim of an issued patent within the Technology is held by a court or other governmental agency of competent jurisdiction to be unenforceable, unpatentable or invalid, and such holding is reversed on appeal by a higher court or agency of competition jurisdiction, such claim shall be reinstated as a Valid Claim hereunder.

2.0 <u>PROPERTY RIGHTS IN AND TO THE TECHNOLOGY:</u>

2.1 The parties hereto hereby acknowledge and agree that the University owns any and all right, title and interest in and to the Technology.

2.2 The Licensee shall, at the request of the University, enter into such further agreements and execute any and all documents as may be required to ensure that ownership of the Technology remains with the University.

***Confidential Treatment Requested.**

2.3 On the last working day of June of each and every year during which this Agreement remains in full force and effect, the Licensee shall deliver in writing the details of any Patents filed during the previous twelve month period.

3.0 GRANT OF LICENSE :

3.1 In consideration of the Royalty payments reserved herein, and the covenants on the part of the Licensee contained herein, the University hereby grants to the Licensee an exclusive worldwide license to use and sublicense the Technology and to manufacture, have made, distribute, import, use and sell Products on the terms and conditions hereinafter set forth during the term of this Agreement.

3.2 The Licensee shall not cross-license the Technology without the prior written consent of the University.

3.3 Notwithstanding Article 3.1 herein, the parties acknowledge and agree that the University may use the Technology without charge in any manner whatsoever for non-commercial research, scholarly publication, educational or other non-commercial use.

4.0 SUBLICENSING:

4.1 The Licensee shall have the right to grant sublicenses to third parties with respect to the Technology with the prior written consent of the University, not to be unreasonably withheld.

4.2 The Licensee shall have the right to grant sublicenses to Affiliates with respect to the Technology without the prior written consent of the University, provided that:

(a) the Licensee will cause the Affiliate so sublicensed to perform the terms of this Agreement as if such Affiliate were the Licensee hereunder; and

(b) any Affiliate so sublicensed shall unconditionally, absolutely and irrevocably covenant and agree with the University as primary obligor, to adopt as its own obligations every obligation of the Licensee contained or set forth in this Agreement, including without limitation, the covenants in this Agreement to pay any amounts due to the University under the terms of this Agreement. The obligations and liabilities of such Affiliate and the Licensee under this Agreement shall be joint and several and the University shall not be obliged to seek recourse against an Affiliate before enforcing its rights against the Licensee. For greater certainty it is hereby confirmed that any default or breach by an Affiliate of any term of this Agreement will also constitute a default by the Licensee under this Agreement.

4.3 The Licensee will furnish the University with a copy of each sublicense granted within [*] days after execution.

4.4 Any sublicense (including any sublicense granted to an Affiliate) granted by the Licensee shall contain covenants by the sublicensee to observe and perform similar terms and conditions to those in this Agreement, including, without limitation, a restriction on the grant of further sublicenses without the University’s consent.

***Confidential Treatment Requested.**

4.5 On granting approval to any sublicense, pursuant to Article 4.1, the University will upon request by the approved sublicensee, provide such sublicensee with a letter confirming that if the University:

(a) gives notice of default to the Licensee pursuant to Article 17.3 of this Agreement, or

(b) takes any other action pursuant to Articles 17.1 or 17.2 of this Agreement to terminate this Agreement,

then, prior to any termination of this Agreement, the University will give such sublicensee written notice of such default or intention to terminate this Agreement, and in the event of any breach or default by the Licensee, which may be cured pursuant to Article 17.3, will for [*] days from the date of such notice to the sublicensee, give the sublicensee the opportunity to cure such default or breach on the terms provided in Article 17.3 of this Agreement, *mutatis mutandis*. If this Agreement is terminated, and provided that the sublicense between the Licensee and the sublicensee is in good standing at such time, the University will then enter into good faith negotiations with such sublicensee for the grant to the sublicensee of a new license substantially on the same terms and conditions as are contained in this Agreement.

5.0 ROYALTIES AND CONSIDERATION:

5.1 The Licensee shall pay to the University a royalty (the "***Royalty***"):

(a) on all Revenue calculated in accordance with the percentages set out in the "***UBC Royalty***" Column of Schedule "**A**";

(b) on all Sublicensing Revenue, calculated in accordance with the percentages set out in the "***UBC Sublicense Royalty***" Column of Schedule "***A***".

All subject to the limitation that in no event will the Royalties payable on Sublicensing Revenue and Revenue from any sublicensee exceed the amount of Royalties that would be payable on Revenues if the Technology and/or Products had been marketed, manufactured, sold, distributed or used by the Licensee instead of such sublicensee.

If Schedule "***A***" is amended at any time after the Commencement Date to add any new Technology, patent or other intellectual property, then the Royalty on Revenue or Sublicensing Revenue shall be calculated for any such new Technology, patent or other intellectual property in accordance with the provisions set out in Schedule "**B**".

5.2 The University and the Licensee understand and recognize that there are many Patents comprising the Technology and consequently it is foreseeable that a Product developed by the Licensee may be subject to multiple royalty obligations as a result of more than one patent contributing to the development of such Product. The University and the Licensee agree that the Royalty payable by the Licensee to the University shall be adjusted as follows:

(a) if more than one Patent licensed under this Agreement is required in respect of a Product, then the Royalty applicable to any such specific Product pursuant to Article 5.1 hereof may be reduced such that there shall only be one Royalty payable on such Product and that Royalty shall be the Royalty for one of the Patents used (determined in accordance with Article 5.1 and Schedule "**B**") which is most favourable to the University;

(b) if it is reasonably commercially necessary for a Product to be subject to royalty obligations to one or more third parties, or if the Licensee licenses or owes a royalty in respect of one or more patents from one or more third parties, to be used in combination with the Patents licensed hereunder, then the Royalties set out in Article 5.1 shall be adjusted by apportioning the relative value between the Technology and said third party patent(s) by multiplying the Royalty by the formula **a**/(**a**+**b**) where "**a**" is the value of the Patent licensed under this Agreement, and "**b**" is the value of the third party patent(s) provided that "**b**" shall never be fixed at a value higher than "**a**". Values "**a**" and "**b**" shall be determined on the basis of the values of each patent when used separately and not used in combination with each other. If the parties are unable to come to agreement on said respective values, the issue will be determined by arbitration pursuant to Article 14. For greater certainty, notwithstanding anything in this Article 5.2(b), the final Royalty payable by the Licensee to the University shall not be less than [*] of the Royalties determined in accordance with Article 5.1.

5.3 The Royalty shall become due and payable within [*] days of each respective Royalty Due Date and shall be calculated with respect to the Revenue and the Sublicensing Revenue in the three month period immediately preceding the applicable Royalty Due Date.

5.4 All payments of Royalties made by the Licensee to the University hereunder shall be made in Canadian dollars without any reduction or deduction of any nature or kind whatsoever, except as may be prescribed by law.

5.5 Revenue shall be deemed to have been received by the Licensee or any Affiliate when actually received, provided that diligent efforts short of commencing legal action are made to collect same. Sublicensing Revenue shall be deemed to have been received by the Licensee or any Affiliate with respect to each of their sublicensees when such consideration is actually received.

5.6 Any transaction, disposition, or other dealing involving the Technology or any part thereof between the Licensee and another person that is not made at fair market value shall be deemed to have been made at fair market value, and the fair market value of that transaction, disposition, or other dealing shall be deemed to be part of the Revenue (or the Sublicensing Revenue, as the case may be) and shall be included in the calculation of Royalties under this Agreement.

5.7 Revenue shall not include and no Royalties will be payable on Products used for research and development of the Products or the Technology for which the Licensee does not receive consideration, such as but not limited to dispositions for clinical trials, marketing, research use and compassionate use or for other similar uses.

5.8 Sublicensing Revenue shall not include and no Royalties will be payable on:

(a) loans to the Licensee by a sublicensee relating to the Technology except to the extent that the interest charged for same is less than fair market value (in which case such difference shall be Sublicensing Revenue) or to the extent that the principal of same is forgiven (in which case such forgiven amount shall be Sublicensing Revenue); or

(b) investments in the Licensee by a sublicensee relating to the Technology except to the extent that such investments are made at greater than fair market value (in

which case such premium shall be Sublicensing Revenue). For the purposes of this subsection, if the shares are not listed on any stock exchange, the fair market value shall be based on the price at which shares have been issued to investors (who are not industry-related strategic investors or collaborative research partners) in the then most recent bona fide arm's length private placement financing completed within the preceding [*] months having gross proceeds of at least [*]. If no such private placement financing has been completed, the parties hereto shall appoint a mutually acceptable person as an independent evaluator and if the parties cannot agree on an evaluator, the appointing authority shall be the British Columbia International Commercial Arbitration Centre.

5.9 If at any time, a third party in any country shall, under the right of a compulsory license granted or ordered to be granted by a competent governmental authority, manufacture, use or sell any Product with respect to which Royalties would be payable pursuant to this Agreement, then the Licensee may reduce the Royalty on sales in such country of such Product to an amount no greater than the amount payable by said third party to the Licensee as consideration for the compulsory license.

5.10 No Royalty shall be payable on the sales of Products between the Licensee and its Affiliates, provided that Royalties shall be payable on all Revenue received by the Licensee or its Affiliate(s) from any subsequent sale of such Products to a sublicensee or to a third party.

5.11 No Royalties shall be payable on Sublicensing Revenue paid to the Licensee from its Affiliates, but Royalties shall be payable on the Sublicensing Revenue of the Licensee's Affiliates from a third party.

5.12 If, at any time, legal restrictions prevent the prompt remittance of part or all of Royalties with respect to any country where Revenue or Sublicensing Revenue is generated, the Licensee or its Affiliates or sublicensees shall have the right and option, on consultation with the University, to make such payments by depositing the amount thereof in local currency for the benefit of the University in a bank or depository in such country.

5.13 In further consideration for the license granted hereunder, the Licensee shall pay to the University, in addition to all other amounts due under this Agreement, an annual maintenance fee of [*] payable on or before January 2 of each year during which this Agreement remains in full force and effect, commencing on January 2, 2002 (the "***Annual Maintenance Fee***"). Neither all nor any part of the Annual Maintenance Fee paid shall be refundable to the Licensee under any circumstances.

6.0 PATENTS:

6.1 The Licensee shall pay all costs of prosecuting and maintaining the Patents.

6.2 The Licensee shall have the right, with reasonable input from the University, to identify any process, use or products arising out of the Technology that may be patentable and shall take all reasonable steps to apply for a patent in the name of the University provided that the Licensee pays all costs of applying for, registering, and maintaining the patent in those jurisdictions in which the Licensee determines that a Patent is required.

6.3 On the issuance of a patent for the Technology the Licensee shall have the right to become, and shall become the licensee of the same all pursuant to the terms contained herein.

6.4 For the purposes of this Article 6.4, "**Improvements**" means, in respect of any Patents: (i) any and all patents and any and all patent applications that claim priority to such Patents (whether complete or incomplete or whether filed or unfiled) including, but not limited to, provisional, non-provisional, continuations and continuations-in-part, and divisional patent applications and registrations in any jurisdiction world-wide; and (ii) any and all inventions arising from such patents or patent applications whether patented or not. To the extent possible and unless precluded by any present or future agreement of the Licensee or its sublicensees, any Improvements made:

(a) by the Licensee, whether solely or jointly with any person other than a sublicensee;

(b) by a sublicensee, whether solely or jointly with any person other than the Licensee; or

(c) jointly by the Licensee and a sublicensee

shall be solely owned by the University, and the Licensee and/or its sublicensees shall assign or cause to be assigned to the University all right, title and interest in and to such Improvements. Such Improvements shall be added to Schedule "**A**".

6.5 The Licensee shall advise the University in writing of all actions which it undertakes concerning the application and maintenance of the Patents, and shall provide copies of the substantive correspondence and documents which it sends or receives in connection therewith.

6.6 Should the Licensee:

(a) discontinue pursuing one or more patent applications, patent protection or patent maintenance in relation to the Patent(s) or any continuation, continuation in-part, division, reissue, re-examination or extension thereof; or

(b) not pursue patent protection in relation to the Patent(s) in any specific jurisdiction; or

(c) discontinue or not pursue patent protection in relation to any further process, use or products arising out of the Technology in any jurisdiction;

then the Licensee shall provide the University with notice of its decision to discontinue or not to pursue such patent protection in sufficient time, such time not to be less than [*] days for the University to file a Patent application or continue pursuing an existing Patent application at the University's own expense.

6.7 If the Licensee discontinues or does not pursue one or more patent applications, patent protection, or patent maintenance, in relation to the Patent(s) as described in Article 6.6(a), this license shall be terminated with respect to such patent or patent application pursuant to the provisions of Article 17 hereof. If the Licensee discontinues or does not pursue patent applications, patent protection or patent maintenance in relation to one or more Patents (the

"**Discontinued Patent**"), provided that the University diligently pursues such Discontinued Patent application, or maintains any existing registration for the Discontinued Patent, the Licensee shall not have the right to use the Technology claimed in any such Patent(s) and/or Patent applications and Schedule "***A***" will be deemed to be amended to exclude such Patent(s) and/or Patent applications from the grant of license contained herein.

6.8 For the purposes of greater clarity, the parties agree that should the Licensee decide not to pursue patent protection in relation to the Patents in a specific jurisdiction for reasonable commercial reasons, this shall not invoke the provisions of Article 6.7.

7.0 DISCLAIMER OF WARRANTY:

7.1 Except as expressly set out in this Agreement, the University makes no representations, conditions, or warranties, either express or implied, with respect to the Technology or the Products. Without limiting the generality of the foregoing, the University specifically disclaims any implied warranty, condition, or representation that the Technology or the Products:

(a) shall correspond with a particular description;

(b) are of merchantable quality;

(c) are fit for a particular purpose; or

(d) are durable for a reasonable period of time.

The University shall not be liable for any loss, whether direct, consequential, incidental, or special which the Licensee suffers arising from any defect, error, fault, or failure to perform with respect to the Technology or Products, even if the University has been advised of the possibility of such defect, error, fault, or failure. The Licensee acknowledges that it has been advised by the University to undertake its own due diligence with respect to the Technology.

7.2 The parties acknowledge and agree that the International Sale of Goods Act and the United Nations Convention on Contracts for the International Sale of Goods have no application to this Agreement.

7.3 Except as expressly set out in this Agreement, nothing in this Agreement shall be construed as:

(a) a warranty or representation by the University as to title to the Technology or that anything made, used, sold or otherwise disposed of under the license granted in this Agreement is or will be free from infringement of patents, copyrights, trade-marks, industrial design or other intellectual property rights,

(b) an obligation by the University to bring or prosecute or defend actions or suits against third parties for infringement of patents, copyrights, trade-marks, industrial designs or other intellectual property or contractual rights, or

(c) the conferring by the University of the right to use in advertising or publicity the name of the University or UBC Trade-marks.

7.4 [*]

7.5 Notwithstanding Article 7.3, in the event of an alleged infringement by a third party of the Technology or any right with respect to the Technology, or any complaint by the Licensee alleging any infringement by a third party with respect to the Technology or any right with respect to the Technology, the Licensee shall have, upon receiving the prior written consent of the University, not to be unreasonably withheld or delayed, the right to prosecute such litigation. Provided that it has first granted such consent, not to be unreasonably withheld or delayed, the University agrees to co-operate reasonably to the extent of executing all necessary documents and to vest in the Licensee the right to institute any such suits, so long as all the direct or indirect costs and expenses of bringing and conducting any such litigation or settlement shall be borne by the Licensee and in such event all recoveries shall enure to the Licensee. In the event of any litigation:

(a) the Licensee shall keep the University fully informed of the actions and positions taken or proposed to be taken by the Licensee (on behalf of itself or a sublicensee) and actions and positions taken by all other parties to such litigation;

(b) [*]

(c) the University may elect to participate formally in the litigation to the extent that the court may permit, but any additional expenses generated by such formal participation shall be paid by the University (subject to the possibility of recovery of some or all of such additional expenses from such other parties to the litigation);

(d) the Licensee may hold and accrue any Royalties payable by the Licensee to the University from the date an action claiming invalidity of a Patent or Patents is rendered by a party to such litigation, provided, however, thereafter the Licensee shall continue to account to the University during such period of accrual and promptly, upon termination of such suit by settlement or by unappealable or unappealed decision of a court of competent jurisdiction, shall pay accrued Royalties to the University after the deduction of any applicable credits, if as a result of termination of such suit, the validity of the Patent or Patents at issue in said suit, and the scope of such Patent(s), is not changed. If as a result of such suit it is adjudged that such Patent(s) is not valid, or that the valid scope of such Patent(s) no longer reads on a Product, the Licensee may by written notice terminate this Agreement in respect to such Patent(s) or in the sole discretion of the Licensee, may maintain the License in full force and effect, except that the Licensee shall no longer be liable for the payment of Royalties in respect of such Patent(s).

7.6 In the event of an alleged infringement of the Technology or any third party use of the Technology which is Confidential Information, the Licensee and the University agree that they shall reasonably cooperate to enjoin such third party’s use of the Technology.

7.7 If any complaint alleging infringement or violation of any patent or other proprietary rights is made against the Licensee (or a sublicensee of the Licensee) with respect to the manufacture, use or sale of a Product, the following procedure shall be adopted:

(a) the Licensee shall promptly notify the University upon receipt of any such complaint and shall keep the University fully informed of the actions and positions taken by the complainant and taken or proposed to be taken by the Licensee (on behalf of itself or a sublicensee),

(b) except as provided for in Article **Error! Reference source not found.**, all costs and expenses incurred by the Licensee (or any sublicensee of the Licensee) in investigating, resisting, litigating and settling such a complaint, including the payment of any award of damages and/or costs to any third party, shall be paid by the Licensee (or any sublicensee of the Licensee, as the case may be),

(c) [*]

(d) [*]

8.0 INDEMNITY AND LIMITATION OF LIABILITY:

8.1 The Licensee hereby indemnifies, holds harmless and defends the University, its Board of Governors, officers, employees, faculty, students, invitees, and agents against any and all claims (including all legal fees and disbursements incurred in association therewith) arising out of the exercise of any rights under this Agreement including, without limiting the generality of the foregoing, against any damages or losses, consequential or otherwise, arising from or out of the use of the Technology or Products licensed under this Agreement by the Licensee or its sublicensees, or their customers or end-users howsoever the same may arise.

8.2 Subject to Article 8.3, the University's total liability, /whether under the express or implied terms of this Agreement, in tort (including negligence), or at common law, for any loss or damage suffered by the Licensee, whether direct, indirect, special, or any other similar or like damage that may arise or does arise from any breaches of this Agreement by the University, its Board of Governors, officers, employees, faculty, students, or agents shall be limited to the sum of [*].

8.3 In no event shall the University be liable for consequential or incidental damages arising from any breach or breaches of this Agreement.

9.0 PUBLICATION AND CONFIDENTIALITY:

9.1 The Discloser's Confidential Information shall be developed, received, and used by the Recipient solely in furtherance of the purposes set forth in this Agreement subject to the terms and conditions set forth in this Article 9.

9.2 The Recipient shall keep and use all of the Discloser's Confidential Information in confidence and will not, without the Discloser's prior written consent, disclose any of the Discloser's Confidential Information to any person or entity, except those of the Recipient's officers, employees, faculty, students, consultants and professional advisors who require said Confidential Information in performing their obligations under this Agreement. The Recipient covenants and agrees that it will initiate and maintain an appropriate internal program limiting the internal distribution of the Discloser's Confidential Information.

9.3 The Recipient shall not use, either directly or indirectly, any of the Discloser's Confidential Information for any purpose other than as contemplated herein without the Discloser's prior written consent.

9.4 If the Recipient is required by judicial or administrative process to disclose any or all of the Discloser's Confidential Information, the Recipient shall promptly notify the Discloser and, when available allow the Discloser reasonable time to oppose such process before disclosing any Confidential Information.

9.5 Notwithstanding any termination or expiration of this Agreement, the obligations created in this Article 9 shall survive and be binding upon the Recipient, its successors and assigns.

9.6 The Licensee acknowledges that the policies of the University require that the results of the University's research be publishable, subject to this Article 9.0. The parties therefore agree that the inventors of the Technology shall not be restricted from presenting at symposia, national, or regional professional meetings, or from publishing in abstracts, journals, theses, or dissertations, or otherwise, whether in printed or in electronic media, methods and results of the inventors' research, provided however that:

(a) the University provides the Licensee with copies of any proposed publication or presentation at least [*] days in advance of the submission of such proposed publication or presentation to a journal, editor, or other third party; and

(b) the Licensee has not, within [*] days after receipt of said copies, objected in writing to such proposed presentation or proposed publication in accordance with Article 9.7 of this Agreement.

9.7 The Licensee may object to a proposed presentation or proposed publication on the grounds that it contains Confidential Information that was disclosed to the University by the Licensee or on the grounds that it discloses patentable subject matter which needs protection. In the event that the Licensee makes such objection on the former ground, the Licensee shall specify the portions of the presentation or publication considered objectionable (the "***Objectionable Material***"). Upon receipt of notification from the Licensee that any proposed publication or disclosure contains Objectionable Material, the University and the Licensee shall work together to revise the proposed publication or presentation to remove or alter the Objectionable Material in a manner acceptable to the Licensee, in which case the Licensee shall withdraw its objection. The University shall co-operate in all reasonable respects in making revisions to any proposed disclosures if considered by the Licensee to contain Objectionable Material. The University shall not be restricted from publishing or presenting the proposed disclosure as long as the Objectionable Material has been removed. In respect of any disclosures made pursuant to this Article 9.7, at the Licensee's request, the Licensee's Confidential Information shall be deleted therefrom prior to such disclosure. In the event that the Licensee makes such an objection on the latter ground, thereafter the Licensee may file a patent application and the University shall ensure that its researchers refrain from making such publication or presentation until the Licensee has filed one or more patent applications with one or more patent offices directed to such patentable subject matter, or until 3 months have elapsed from date of receipt of such written objection from the Licensee by the University, whichever is sooner, after which the University and its researchers may proceed with said presentation or publication. For greater certainty, a provisional patent application shall be considered to be a patent application in the United States of America for the purposes of this Agreement.

9.8 The Licensee requires of the University, and the University agrees insofar as it may be permitted to do so at law, that this Agreement, and each part of it, is confidential and shall not be disclosed to third parties, as the Licensee claims that such disclosure would or

could reveal commercial, scientific or technical information and would significantly harm the Licensee's competitive position and/or interfere with the Licensee's negotiations with prospective sublicensees. Notwithstanding anything contained in this Article, the parties hereto acknowledge and agree that the University may identify the title of this Agreement, the parties to this Agreement, the inventors of the Technology, the term of this Agreement, and the consideration actually paid to the University pursuant to this Agreement.

9.9 The University shall use its reasonable efforts to maintain as confidential any business plans, business documents or other reports prepared by the Licensee and delivered to the University pursuant to the terms of this license agreement and which are identified in writing by the Licensee as confidential.

9.10 Notwithstanding the provisions of Article 9.2, the Licensee may disclose the University's Confidential Information to third parties in the exercise of the Licensee's rights under the license grant in Article 3, provided that such third parties shall have first signed a confidentiality and non-disclosure agreement protecting the University's Confidential Information.

10.0 PRODUCTION AND MARKETING:

10.1 The Licensee shall not use any of the UBC Trade-marks or make reference to the University or its name in any advertising or publicity whatsoever, without the prior written consent of the University, except as required by law. Without limiting the generality of the foregoing, neither party shall issue a press release with respect to this Agreement or any activity contemplated herein without the prior review and approval of same by the other party, except as required by law. If either party is required by law to act in contravention of this Article, such party shall provide the other party with sufficient advance notice in writing to permit the other party to bring an application or other proceeding to contest the requirement.

10.2 The Licensee shall use its reasonable commercial efforts to promote, market and sell the Products and utilize the Technology and to meet or cause to be met the market demand for the Products and the utilization of the Technology.

10.3 If the University is of the view that the Licensee is in breach of Article 10.2, the University shall notify the Licensee and the parties hereto shall appoint a mutually acceptable person as an independent evaluator (the "**Evaluator**") to conduct the evaluation set forth in Article 10.4 . If the parties cannot agree on such an evaluator, the appointing authority shall be the British Columbia International Commercial Arbitration Centre.

10.4 Unless the Parties mutually agree otherwise, the following rules and procedures shall govern the conduct of the parties and the Evaluator before and during the investigation by the Evaluator:

(a) within [*] days of the appointment of the Evaluator each party shall provide to the Evaluator and the other party copies of all documents, statements and records on which the party intends to rely in presenting its position to the Evaluator;

(b) within [*] days of the appointment of the Evaluator the Licensee shall provide to the Evaluator and the University a written summary of its position. On receipt of the Licensee's summary the University shall have [*] days to prepare and submit to the Licensee and the Evaluator its own summary in reply to the summary submitted by the Licensee;

(c) on receipt of the documents, statements, records and summaries submitted by the parties the Evaluator shall have [*] days within which to conduct such further inquiries as he or she may deem necessary for the purpose of reviewing the efforts made by the Licensee with respect to the promotion, marketing and sale of the Products and the Technology in compliance with the requirements of Article 10.2. For the purpose of conducting such an inquiry, the Evaluator shall have the right to:

(i) require either party to disclose any further documents or records which the Evaluator considers to be relevant;

(ii) interview or question either orally (or by way of written questions) one or more representatives of either party on issues deemed to be relevant by the Evaluator;

(iii) make an "*on site*" inspection of the Licensee's facilities;

(iv) obtain if necessary, the assistance of an independent expert to provide technical information with respect to any area in which the Evaluator does not have a specific expertise;

10.5 The Evaluator shall within [*] days of starting the inquiry, prepare a report setting their findings and conclusions as to whether or not the Licensee has used reasonable efforts as specified in Article 10.2. If the Evaluator determines that the Licensee has failed to use reasonable efforts as specified in Article 10.2, then the Evaluator shall specify in their report their conclusions as to what would constitute such reasonable efforts, and the Licensee shall thereafter make the efforts so specified. If the Licensee fails to make such efforts, after notice of termination for breach provided in accordance with the terms of Article 17.3, then the University's sole remedy for failure to make the efforts specified in Article 10.2 and 10.5 shall be that this Agreement may be terminated in accordance with Article 17.3.

10.6 The report and conclusions of the Evaluator shall be delivered to the Licensee and the University, and shall be accepted by both parties as final and binding.

10.7 The University may not call for more than [*] evaluation pursuant to Article 10.3 in any [*] calendar year period. The cost of an evaluation hereunder shall be borne [*] by the Licensee and [*] by the University. At the request of the Licensee, the University will consent to the participation in any evaluation made pursuant hereto of the Licensee's sublicensee(s).

10.8 The Licensee agrees that it shall deliver to the University an annual report, due on December 31 of each year during the term of this Agreement, which summarizes the major activities the Licensee has undertaken in the course of the preceding 12 months to develop and commercialize and/or market the Technology. The report will include an outline of the status of any Products in clinical trials and the existence of any sublicenses of the Technology.

11.0 <u>ACCOUNTING RECORDS:</u>

11.1 The Licensee shall maintain at its principal place of business, or such other place as may be most convenient, separate accounts and records of business done pursuant to this Agreement, such accounts and records to be in sufficient detail to enable proper returns to be made under this Agreement, and the Licensee shall cause its sublicensees to keep similar accounts and records.

11.2 The Licensee shall deliver to the University on the date [*] days after each and every Royalty Due Date, together with the Royalty payable thereunder, the Accounting (and a report identifying each sublicensee and the principal location of the business of each sublicensee).

11.3 The calculation of Royalties shall be carried out in accordance with generally accepted Canadian accounting principles or the standards and principles adopted by the U.S. Financial Accounting Standards Board, applied on a consistent basis.

11.4 The Licensee shall retain the accounts and records referred to in Article 11.1 above for at least [*] years after the date upon which they were made and shall permit any duly authorized representative of the University, on reasonable notice no more than [*], to inspect such accounts and records during normal business hours of the Licensee at the University's expense. The Licensee shall furnish such reasonable evidence as such representative will deem necessary to verify the Accounting and will permit such representative to make copies of or extracts from such accounts, records and agreements at the University's expense.

11.5 During the term of this Agreement and thereafter, the University shall use reasonable efforts to ensure that all information provided to the University or its representatives pursuant to this Article remains confidential and is treated as such by the University.

12.0 INSURANCE:

12.1 Unless satisfactory arrangements are made between the Licensee and the University with respect to a self-insurance program or the requirement for insurance hereunder is waived by the University [*] days prior to the start of any human clinical trials or other Product testing involving human subjects by the Licensee or any sublicensee ("**Human Clinical Trials**"), then the Licensee shall procure and maintain, during the term of this Agreement, the insurance outlined in Articles 12.2 and 12.3 and otherwise comply with the insurance provisions contained in Articles 12.2 and 12.3.

12.2 The Licensee shall give written notice to the University [*] days prior to the earlier of either:

(a) the start of any Human Clinical Trials; or

(b) the first sale of any Product by the Licensee or any Affiliate or sublicensee;

of the terms and amount of the appropriate public liability, product liability and errors and omissions insurance which it has placed. Such insurance shall in no case be less than the insurance which a reasonable and prudent businessperson carrying on a similar line of business would acquire. This insurance shall be placed with a reputable and financially secure insurance carrier, shall include the University, its Board of Governors, faculty, officers, employees, students, and agents as additional insureds, and shall provide primary coverage with respect to the activities contemplated by this Agreement. Such policy shall not be cancelled or materially altered except upon at least [*] days' written notice to the University. Failing the parties agreeing on the appropriate terms or the amount of coverage, then the matter shall be determined by arbitration as provided for herein. The Licensee shall provide the University with certificates of insurance evidencing such coverage [*] days before commencement of Human Clinical Trials and [*] days prior to the sales of any Product and the Licensee covenants not to start Human Clinical Trials, or sell any Product before such certificate is provided and approved by the University, or to start any Human Clinical Trials or sell any Product at any time unless the insurance outlined in this Article 12.2 is in effect.

12.3 The Licensee shall require that each sublicensee under this Agreement shall either:

(a) demonstrate to the Licensee's reasonable satisfaction that such sublicensee has a program of self insurance no less adequate than that which a reasonable and prudent businessperson carrying on a similar line of business would require; or

(b) [*] days prior to the earlier of the start of Human Clinical Trials or the first sale of any Product by such sublicensee, procure and maintain public liability, product liability and errors and omissions insurance in reasonable amounts, with a reputable and financially secure insurance carrier. The Licensee shall use reasonable efforts to ensure that any and all such policies of insurance required pursuant to this Article 12.3(b) shall contain a waiver of subrogation against the University, its Board of Governors, faculty, officers, employees, students, and agents.

13.0 ASSIGNMENT:

13.1 Except as expressly permitted hereby, the Licensee will not assign, transfer, mortgage, charge or otherwise dispose of any or all of the rights, duties or obligations granted to it under this Agreement without the prior written consent of the University, which consent will not be unreasonably withheld. Notwithstanding the foregoing, the Licensee shall have the right to assign to an Affiliated Company or an entity that acquires all, or substantially all, of the assets related to the Technology and the Products.

13.2 The University shall have the right to assign its rights, duties and obligations under this Agreement to a company or society of which it is the sole shareholder in the case of a company or of which it controls the membership, in the case of a society.

14.0 GOVERNING LAW AND ARBITRATION:

14.1 This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada in force therein without regard to its conflict of law rules. All parties agree that by executing this Agreement they have attorned to the jurisdiction of the Supreme Court of British Columbia. Subject to Articles 14.2 and 14.3, the courts of British Columbia shall have exclusive jurisdiction over this Agreement.

14.2 In the event of any dispute arising between the parties concerning this Agreement, its enforceability or the interpretation thereof, the same shall be settled by a single arbitrator appointed pursuant to the provisions of the Commercial Arbitration Act of British Columbia, or any successor legislation then in force. The place of arbitration shall be Vancouver, British Columbia. The language to be used in the arbitration proceedings shall be English.

14.3 Article 14.2 shall not prevent a party hereto from applying to a court of competent jurisdiction for interim protection such as, by way of example, an interim injunction.

14.4 Notwithstanding the rest of this Article 14, if a ruling by a court or arbitral authority on any dispute between the Licensee and a sublicensee, regarding the interpretation

of the sublicensee's sublicense agreement, could reasonably affect the interpretation of this Agreement, then on receipt of notice of such a dispute from the Licensee, the University may elect to apply to join in such proceeding.

(a) If the University is permitted to join in such proceeding it shall be bound by the decision of such court or arbitral authority, in so far as the interpretation of such decision could reasonably affect the interpretation of this Agreement.

(b) If the University elects not to join in such proceeding (for reasons other than not being permitted to join) then the University hereby agrees to be bound by the decision of such court or arbitral authority, in so far as the interpretation of such decision could reasonably affect the interpretation of this Agreement.

(c) If the University is not permitted to join in such proceeding, then the University shall not be bound by the decision of such court or arbitral authority.

[*]

15.0 NOTICES:

15.1 All payments, reports and notices or other documents that any of the parties hereto are required or may desire to deliver to any other party hereto may be delivered only by personal delivery or by registered or certified mail, or fax, all postage and other charges prepaid, at the address for such party set forth below or at such other address as any party may hereinafter designate in writing to the others. Any notice personally delivered or sent by fax shall be deemed to have been given or received at the time of delivery, or transmission of the fax. Any notice mailed as aforesaid shall be deemed to have been received on the expiration of [*] after it is posted, provided that if there shall be at the time of mailing or between the time of mailing and the actual receipt of the notice a mail strike, slow down or labour dispute which might affect the delivery of the notice by the mail, then the notice shall only be effected if actually received.

If to the University: [*]
[*]
[*]
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[*]

***Confidential Treatment Requested.**

If to the Licensee: [*]
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[*]

16.0 TERM:

16.1 This Agreement and the license granted hereunder shall terminate on the expiration of a term of [*] years from the Date of Commencement or the expiration of the last patent obtained pursuant to Article 6 herein, whichever event shall last occur unless earlier terminated pursuant to Article 17 herein. Upon expiry of the term of this Agreement (but not on termination in accordance with Article 17) the Licensee shall thereafter have, in perpetuity, a fully paid-up world wide license to use and sublicense the Technology and to manufacture, have made, distribute, import, use and sell Products, without further payment of Royalties to the University.

17.0 TERMINATION:

17.1 This Agreement shall automatically and immediately terminate without notice to the Licensee if any proceeding under any applicable bankruptcy or insolvency laws, or any other legislation of similar purport, is commenced by or against the Licensee, provided that in the case of any involuntary bankruptcy or insolvency proceedings being commenced against the Licensee, the Licensee shall have a [*] day period following the commencement of any such proceedings, and, if such proceedings are discharged within such period, the termination shall be of no effect.

17.2 The University may, at its option, terminate this Agreement immediately on the happening of any one or more of the following events by delivering notice in writing to that effect to the Licensee:

(a) if any execution, sequestration, or any other process of any court becomes enforceable against the Licensee or if any such process is levied on the rights under this Agreement or upon any of the monies due to the University and is not released or satisfied by the Licensee within [*] days thereafter;

(b) if any resolution is passed by the Licensee or voluntary order made or other steps taken by the Licensee for the winding up, liquidation or other termination of the existence of the Licensee;

(c) if the Licensee ceases to carry on its business, other than as a result of a disposition of substantially all of the Licensee’s business to a third party;

(d) if the Licensee commits any breach of Article 4.1 or any material breach of Article 12;

(e) the Licensee notifies the University in writing that it intends to discontinue pursuing all Patent protection for the Technology as set out in Article 6.6(a) hereof;

(f) if any sublicensee of the Licensee is in material breach of its sublicense agreement with the Licensee which breach would be a breach of this Agreement if committed by the Licensee and the Licensee fails to use reasonable efforts to cause such sublicensee to cure such breach within [*] days of receipt of written notice from the University requiring that the Licensee cause such sublicensee to cure such breach; or

(g) if the Licensee is in breach of the Collaborative Research Agreement between the Licensee and the University, which breach has not been cured within the time provided for the curing of such breach under the terms of the Collaborative Research Agreement, provided that the University's notice of breach of such agreement states its intention to terminate this Agreement.

17.3 Other than as set out in Articles 17.1 and 17.2, if either party shall be in default under or shall fail to comply with the terms of this Agreement then the non-defaulting party shall have the right to terminate this Agreement by written notice, (such written notice expressly stating the grounds for the default), to that effect if:

(a) such default is reasonably curable within [*] days after receipt of notice of such default and such default or failure to comply is not cured within [*] days after receipt of written notice thereof, or

(b) such default is not reasonably curable within [*] days after receipt of written notice thereof, and such default or failure to comply is not cured within such further reasonable period of time as may be necessary for the curing of such default or failure to comply.

17.4 If this Agreement is terminated pursuant to Articles 17.1, 17.2, or 17.3, the Licensee shall make Royalty payments to the University in the manner specified in Article 5, and the University may proceed to enforce payment of all outstanding Royalties or other monies owed to the University and to exercise any or all of the rights and remedies contained herein or otherwise available to the University by law or in equity, successively or concurrently at the option of the University.

17.5 Upon any such termination of this Agreement, the Licensee shall:

(a) except as required by law or expressly permitted by Article 17.7, deliver up to the University within a reasonable time, not to exceed [*] months from the Effective Date of Termination, all Technology in its possession or control and shall have no further right of any nature whatsoever in the Technology. On failure by the Licensee to so deliver up the Technology, the University may take action against the Licensee to enforce such delivery and the Licensee will pay all charges or expenses incurred by the University in the enforcement of such rights or remedies against the Licensee including, without limitation, the University's legal fees and disbursements on an indemnity basis, and

(b) deliver to the University within [*] days of the Effective Date of Termination a written accounting and plan specifying, in such terms as the University may in its reasonable discretion require, the inventory of Products remaining unsold on the Effective Date of Termination, and the Licensee's plan for the disposition of same. Following the delivery of such accounting and plan, the Licensee shall then have a reasonable time to liquidate such inventory of Products, provided

that such period shall not exceed [*] months from the Effective Date of Termination. The Licensee shall continue to make all Royalty payments to the University on all such Products sold in the same manner as specified in this Agreement, notwithstanding anything contained in, or any exercise of rights by the University under this Article 17.

17.6 Notwithstanding the termination of this Agreement, Article 11 shall remain in full force and effect until [*] years after:

(a) all payments of Royalty required to be made by the Licensee to the University under this Agreement have been made by the Licensee to the University, and

(b) any other claim or claims of any nature or kind whatsoever of the University against the Licensee has been settled.

17.7 Except as required by law, upon any termination of this Agreement, each party shall cease to use the Confidential Information of the other party, and upon written request and at the option of the other party, shall deliver or destroy and certify the destruction of all copies of same, except for a single copy to be retained solely for the purpose of compliance with the terms of this Agreement.

18.0 MISCELLANEOUS COVENANTS OF LICENSEE:

18.1 The Licensee hereby represents and warrants to the University that the Licensee is a corporation duly organized, existing, and in good standing under the laws of the Province of British Columbia and has the power, authority, and capacity to enter into this Agreement and to carry out the transactions contemplated by this Agreement, all of which have been duly and validly authorized by all requisite corporate proceedings.

18.2 The Licensee represents and warrants that it has the expertise necessary to handle the Technology with care and without danger to the Licensee, its employees, agents, or the public. The Licensee shall not accept delivery of the Technology until it has requested and received from the University all necessary information and advice to ensure that it is capable of handling the Technology in a safe and prudent manner.

18.3 The Licensee shall comply with all laws, regulations and ordinances, whether Federal, Provincial, Municipal or otherwise with respect to the Technology and/or this Agreement.

18.4 Upon the presentation of itemized bills to the Licensee by the University, the Licensee shall pay:

(a) all reasonable legal expenses and costs incurred by the University in respect of the negotiation and preparation of this Agreement, and of any amendments of this Agreement; and

(b) all reasonable legal expenses and costs in excess of [*], incurred by the University in respect of any consents or approvals required from the University, including but not limited to expenses and costs in respect of the University's review of each sublicense to be granted by the Licensee, but not including litigation expenses incurred by the University as set out in Article 7.5.

18.5 The Licensee shall pay all taxes and any related interest or penalty howsoever designated and imposed as a result of the existence or operation of this Agreement, including, but not limited to, tax which the Licensee is required to withhold or deduct from payments to the University. The Licensee will furnish to the University such evidence as may be required by Canadian authorities to establish that any such tax has been paid. The Royalties specified in this Agreement are exclusive of taxes. If the University is required to collect a tax to be paid by the Licensee (or any of its sublicensees), the Licensee shall pay such tax to the University on demand.

19.0 RESEARCH AGREEMENT:

19.1 The Licensee and the University hereby confirm the provisions of the Collaborative Research Agreement.

19.2 If there is a conflict of the provisions of this Agreement and the provisions of the Collaborative Research Agreement, the provisions of this Agreement shall govern.

20.0 GENERAL:

20.1 On reasonable notice, the Licensee shall permit any duly authorized representative of the University during normal business hours and at the University's sole risk and expense to enter upon and into any premises of the Licensee for the purpose of inspecting the Products and the manner of their manufacture and generally of ascertaining whether or not the provisions of this Agreement have been, are being, or will be complied with by the Licensee.

20.2 Nothing contained herein shall be deemed or construed to create between the parties hereto a partnership or joint venture. No party shall have the authority to act on behalf of any other party, or to commit any other party in any manner or cause whatsoever or to use any other party's name in any way not specifically authorized by this Agreement. No party shall be liable for any act, omission, representation, obligation or debt of any other party, even if informed of such act, omission, representation, obligation or debt.

20.3 Subject to the limitations hereinbefore expressed, this Agreement shall enure to the benefit of and be binding upon the parties, and their respective successors and permitted assigns.

20.4 No condoning, excusing or overlooking by any party of any default, breach or non-observance by any other party at any time or times in respect of any covenants, provisos, or conditions of this Agreement shall operate as a waiver of such party's rights under this Agreement in respect of any continuing or subsequent default, breach or non-observance, so as to defeat in any way the rights of such party in respect of any such continuing or subsequent default or breach and no waiver shall be inferred from or implied by anything done or omitted by such party, save only an express waiver in writing.

20.5 No exercise of a specific right or remedy by any party precludes it from or prejudices it in exercising another right or pursuing another remedy or maintaining an action to which it may otherwise be entitled either at law or in equity.

20.6 Marginal headings as used in this Agreement are for the convenience of reference only and do not form a part of this Agreement and are not be used in the interpretation hereof.

20.7 The terms and provisions, covenants and conditions contained in this Agreement which by the terms hereof require their performance by the parties hereto after the expiration or termination of this Agreement shall be and remain in force notwithstanding such expiration or other termination of this Agreement for any reason whatsoever.

20.8 If any Article, part, section, clause, paragraph or subparagraph of this Agreement shall be held to be indefinite, invalid, illegal or otherwise voidable or unenforceable, the entire agreement shall not fail on account thereof, and the balance of the Agreement shall continue in full force and effect.

20.9 The parties hereto acknowledge that the law firm of Richards Buell Sutton has acted solely for the University in connection with this Agreement and that all other parties hereto have been advised to seek independent legal advice.

20.10 All amounts due and owing to the University hereunder but not paid by the Licensee on the due date thereof shall bear interest in Canadian dollars at the rate of [*]. Such interest shall accrue on the balance of unpaid amounts from time to time outstanding from the date on which portions of such amounts become due and owing until payment thereof in full.

20.11 This Agreement sets forth the entire understanding between the parties and no modifications hereof shall be binding unless executed in writing by the parties hereto.

20.12 Whenever the singular or masculine or neuter is used throughout this Agreement the same shall be construed as meaning the plural or feminine or body corporate when the context or the parties hereto may require.

IN WITNESS WHEREOF the parties hereto have hereunto executed this Agreement on the 30 day of June, 2001 but effective as of the Date of Commencement.

Signed for and on behalf of
THE UNIVERSITY OF BRITISH COLUMBIA
by its duly authorized officer:

/s/ ANGUS LIVINGSTONE

Name: Angus Livingstone
Title: Managing Director
University – Industry Liaison Office
Date: June 30, 2001

***Confidential Treatment Requested.**

Signed for and on behalf of
INEX PHARMACEUTICALS CORPORATION
by its duly authorized officer:

/s/ DAVID J. MAIN

Name: David J. Main
Title: President and CEO
Date: July 26, 2001

SCHEDULE "A"

DESCRIPTION OF "TECHNOLOGY"

PART I:

The Technology and Patents which are subject to the Collaborative Research Agreement or as otherwise agreed by the parties, and set out more specifically as follows:

UBC File #	Inex File #	Description	Patent #'s	Inventors	Party Credited	UBC Royalty	UBC Sublicense Royalty
[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]

***Confidential Treatment Requested.**

PART II

The Technology and Patents which were originally licensed to the Licensee pursuant to the terms of the 1998 License and set out more specifically as follows:

UBC File #	Inex File #	Description	Patent #'s	Inventors	Party Credited	UBC Royalty	UBC Sublicense Royalty
[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
[*]							
[*]							

***Confidential Treatment Requested.**

SCHEDULE "B"

ROYALTIES

[*]

***Confidential Treatment Requested.**

* Confidential Treatment has been requested for the marked portions of this exhibit pursuant to Rule 24B-2 of the Securities Exchange Act of 1934, as amended

AMENDMENT AGREEMENT

THIS AMENDMENT AGREEMENT (the "**Amendment Agreement**") is dated effective July 11, 2006 (the "**Effective Date**").

BETWEEN:

THE UNIVERSITY OF BRITISH COLUMBIA, a corporation continued under the University Act of British Columbia and having its administrative offices at 2075 Wesbrook Mall, in the City of Vancouver, in the Province of British Columbia, V6T 1W5, Canada.

(the "**University**")

AND:

INEX PHARMACEUTICALS CORPORATION, a corporation duly incorporated under the laws of the Province of British Columbia and having an office at 200 - 8900 Glenlyon Parkway, in the City of Burnaby, in the Province of British Columbia, V5J 5J8, Canada.

("**Licensee**")

WHEREAS:

A. Dr. Pieter R. Cullis, Professor, Department of Biochemistry and Molecular Biology at the University has invented, developed and/or acquired certain technology which was subject to an option exercisable by Licensee pursuant to a Research Agreement between the University and Licensee dated February 1, 1993 and a Collaborative Research Agreement between the University and Licensee effective January 1, 1999 but dated for reference July 30, 2001 and amended February 8, 2002, and May 26, 2003 (the "**the UBC-INEX Collaborative Research Agreement**");

B. On or about July 1, 1998, the University and Licensee entered into a License Agreement relating to certain liposome drug delivery technologies, (the "**1998 License**"). On or about March 16, 1999, Licensee and Esperion Therapeutics, Inc. ("**Esperion**") entered into a sublicense agreement whereby certain technology licensed by the University to Licensee under the 1998 License relating to liposome compositions and methods for the treatment of atherosclerosis (the "**UBC 94-049 Technology**"), was sublicensed by Licensee to Esperion (the "**Esperion Sublicense**");

C. On July 30, 2001, the University and Licensee agreed to consolidate into one license agreement:

(i) all of the technologies invented, developed and/or acquired pursuant to the UBC-INEX Collaborative Research Agreement since entering into the 1998 License, and in respect of which Licensee has validly exercised its option to obtain a License; and

(ii) all of the technologies licensed by the University to Licensee under the terms of the 1998 License, excepting only the UBC 94-049 Technology sublicensed by Licensee to Esperion under the Esperion Sublicense;

D. In order to effect the consolidation of the new technologies and the technologies licensed under the 1998 License, the University and Licensee amended the 1998 License so as to delete and remove from the 1998 License all of the technologies licensed by the University to Licensee under the terms of the 1998 License (with the exception only of the UBC 94-049 Technology sublicensed by Licensee to Esperion under the Esperion Sublicense) and to grant a new license to Licensee with respect to all of the remaining technologies set forth in Schedule "A" of the new License Agreement executed July 30, 2001 but dated effective July 1, 1998 (the "**2001 License Agreement**");

E. Licensee and the University are herewith entering into this Amendment Agreement to amend, effective as of the Effective Date, Schedule "A" and the Royalties payable by Licensee to the University under the 2001 License Agreement in respect of the Licensee, or its sublicensee's use of Technology for [*].

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and of the mutual covenants herein set forth, the parties hereto have covenanted and agreed as follows:

ARTICLE 1 DEFINITIONS

1.1 Definitions

Unless otherwise defined in this Amendment Agreement, capitalized terms used herein shall have the meaning set out therefore in the 2001 License Agreement.

1.2 Amendment

Effective as of the Effective Date of this Amendment Agreement:

1.2.1 Notwithstanding any provisions to the contrary in the 2001 License Agreement, Schedule "**B**" to the 2001 License Agreement shall not apply to the calculation of any Royalty payable in connection with the Licensee, or its sublicensee's use of any Technology for [*].

1.2.2 Schedule "A" of the 2001 License Agreement shall be replaced by Schedule "A" attached hereto.

1.2.3 Section 5.1 of the 2001 License Agreement shall be deleted and replaced in its entirety to read as follows:

5.1 "The Licensee shall pay to the University a royalty (the "**Royalty**"):

(a) on all Revenue calculated in accordance with the percentages set out in the "**UBC Royalty**" Column of Schedule "**A**";

(b) on all Sublicensing Revenue, calculated in accordance with the percentages set out in the "**UBC Sublicense Royalty**" Column of Schedule "**A**";

(c) Notwithstanding the foregoing Articles 5.1(a) and 5.1(b) the Licensee shall pay to the University in respect of Licensee's use of the Technology for [*], a Royalty equal to:

(i) [*] of all such Revenue; and

(ii) [*] of all such Sublicensing Revenue;

all subject to the limitation that in no event will the Royalties payable on Sublicensing Revenue and Revenue from any sublicensec exceed the amount of Royalties that would be payable on Revenues if the Technology and/or Products had been marketed, manufactured, sold, distributed or used by Licensee instead of such sublicensee. For avoidance of doubt Article 5.1(c) shall only apply to the Patents listed in Schedule "**A**" when such Patent(s) are used for [*].

If Schedule "**A**" is amended at any time after the Commencement Date to add any new Technology, patent or other intellectual property, then the Royalty on Revenue or Sublicensing Revenue applicable to any such new Technology, patent or other intellectual property shall be governed by the applicable provisions of Sections 5.1(a), 5.1(b) and 5.1(c) herein. For greater clarity it is confirmed that a Royalty calculated in accordance with Article 5.1(c) shall be payable with respect to any use of the Technology for [*], regardless of the fact that the Technology so used may not credit or identify a UBC faculty member, research associate, post-doctoral fellow, graduate student, undergraduate student, or staff member as an inventor or co-inventor of such Technology."

1.3 General

1.3.1 This Amendment Agreement shall be governed and construed by the laws of the Province of British Columbia without regard to its conflict of laws principles.

1.3.2 This Amendment Agreement and all the provision hereof shall be binding upon and enure to the benefit of the parties hereto and their respective successors, transferees and assigns.

1.3.3 The parties acknowledge and agree that alt of the terms, provisions, covenants and conditions of the 2001 License Agreement shall hereafter continue in full force and effect in accordance with the terms thereof, except to the extent amended modified, deleted or revised herein.

***Confidential Treatment Requested.**

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment Agreement to be executed as a sealed instrument in their names by their properly and duly authorized officers or representatives.

Signed for and on behalf of the
UNIVERSITY OF BRITISH COLUMBIA
by its duly authorized officer:

/s/ BARBARA M. CAMPBELL

Name: BARBARA M. CAMPBELL
Title: Associate Director
University - Industry Liaison Office

Signed for and on behalf of
INEX PHARMACEUTICALS CORPORATION
by its duly authorized officer:

/s/ TIMOTHY M. RUANE

Name: Timothy M. Ruane
Title: President and Chief Executive Officer

SCHEDULE "A"

DESCRIPTION OF "TECHNOLOGY"

PART I:

The Technology and Patents which are subject to the Collaborative Research Agreement or as otherwise agreed by the parties, and set out more specifically as follows:

[*]

***Confidential Treatment Requested.**

UBC File Number	Inex File Number	Title	Serial/ Patent Numbers	Inventors	Party Credited	UBC Royalty	UBC Sublicense Royalty
[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]

***Confidential Treatment Requested.**

PART II

The Technology and Patents which were originally licensed to the Licensee pursuant to the terms of the 1998 License and set out more specifically as follows:

UBC File #	Inex File #	Description	Patent #'s	Inventors	Party Credited	UBC Royalty	UBC Sublicense Royalty
[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]

***Confidential Treatment Requested.**

Exhibit 4.19

* Confidential Treatment has been requested for the marked portions of this exhibit pursuant to Rule 24B-2 of the Securities Exchange Act of 1934, as amended.

Execution Copy

SECOND AMENDMENT AGREEMENT

THIS SECOND AMENDMENT AGREEMENT (the "**Second Amendment Agreement**") is dated effective January 8, 2007 (the "**Effective Date**").

BETWEEN:

THE UNIVERSITY OF BRITISH COLUMBIA, a corporation continued under the University Act of British Columbia and having its administrative offices at 2075 Wesbrook Mall, in the City of Vancouver, in the Province of British Columbia, V6T 1W5, Canada.

(the "**University**")

AND:

INEX PHARMACEUTICALS CORPORATION, a corporation duly incorporated under the laws of the Province of British Columbia and having an office at 200 - 8900 Glenlyon Parkway, in the City of Burnaby, in the Province of British Columbia, V5J 5J8, Canada.

("**Licensee**")

WHEREAS:

A. Dr. Pieter R. Cullis, Professor, Department of Biochemistry and Molecular Biology at the University has invented, developed and/or acquired certain technology which was subject to an option exercisable by Licensee pursuant to a Research Agreement between the University and Licensee dated February 1, 1993 and a Collaborative Research Agreement between the University and Licensee effective January 1, 1999 but dated for reference. July 30, 2001 and amended February 8, 2002, and May 26, 2003 (the "the UBC-INEX Collaborative Research Agreement");

B. On or about July 1, 1998, the University and Licensee entered into a License Agreement relating to certain liposome drug delivery technologies, (the "1998 License"). On or about March 16, 1999, Licensee and Esperion Therapeutics, Inc. ("Esperion") entered into a sublicense agreement whereby certain technology licensed by the University to Licensee under the 1998 License relating to liposome compositions and methods for the treatment of atherosclerosis (the "UBC 94-049 Technology"), was sublicensed by Licensee to Esperion (the "Esperion Sublicense");

C. On July 30, 2001, the University and Licensee agreed to consolidate into one license agreement:

(i) all of the technologies invented, developed and/or acquired pursuant to the UBC-INEX Collaborative Research Agreement since entering into the 1998 License, and in respect of which Licensee has validly exercised its option to obtain a License; and

(ii) all of the technologies licensed by the University to Licensee under the terms of the 1998 License, excepting only the UBC 94-049 Technology sublicensed by Licensee to Esperion under the Esperion Sublicense;

D. In order to effect the consolidation of the new technologies and the technologies licensed under the 1998 License, the University and Licensee amended the 1998 License so as to delete and remove from the 1998 License all of the technologies licensed by the University to Licensee under the terms of the 1998 License (with the exception only of the UBC 94-049 Technology sublicensed by Licensee to Esperion under the Esperion Sublicense) and to grant a new license to Licensee with respect to all of the remaining technologies set forth in Schedule "A" of the new License Agreement executed July 30, 2001 but dated effective July 1, 1998 (the "2001 License Agreement");

E. Licensee and the University entered into an Amendment Agreement to amend, effective as of July 11, 2006, Schedule "A" and the Royalties payable by Licensee to the University under the 2001 License Agreement in respect of the Licensee, or its sublicensee's use of Technology for [*];

F. Licensee and the University are herewith entering into a Second Amendment Agreement to amend, effective as of the Effective Date, Schedule "A" of the Amendment Agreement to include additional patent applications and letters patents for which Licensee has assigned to the University ownership in the RNAi And miRNA Field (as defined below), in order to facilitate commercialization of the Technology; and

G. It is contemplated that Licensee will enter into a sublicense agreement with Alnylam Pharmaceuticals, Inc. ("Alnylam") which shall grant a sublicense to the Technology in a certain field in favour of Alnylam and that Alnylam relies upon and requires the use of such Technology by way of such sublicense in respect of its ongoing and anticipated operations.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and of the mutual covenants herein set forth, the parties hereto have covenanted and agreed as follows:

ARTICLE 1 DEFINITIONS

1.1 Definitions

Unless otherwise defined in this Second Amendment Agreement, capitalized terms used herein shall have the meaning set out therefore in the 2001 License Agreement.

In this Second Amendment Agreement, unless a contrary intention appears, the following words and phrases shall mean:

1.1.1 "**miRNA Product**" means a product containing, comprised of or based on [*].

1.1.2 "**RNAi and miRNA Field**" means [*].

1.1.3 "**RNAi Product**" means a product containing, comprised of or based on [*].

1.2 Amendment

Effective as of the Effective Date of this Second Amendment Agreement:

1.2.1 The following Section 3.4 is added:

"3.4 (a) Notwithstanding Article 3.1 herein, the parties acknowledge and agree that the University retains the right to any Technology sublicensed to Alnylam Pharmaceuticals, Inc. ("ALNYLAM") as necessary to fulfill its rights under this Article 3.4.

To the extent that ALNYLAM is granted any rights to use the Technology under any sublicense agreement with Licensee (a "Sublicense Agreement"), the University retains the right to grant to ALNYLAM (or to ALNYLAM's further sublicensee) a direct license in respect of the same rights under the Technology covered in the Sublicense Agreement (or covered in the sublicense agreement between ALNYLAM and such further sublicensee). The University agrees that it shall not enforce such right to grant a direct license unless the Sublicense Agreement (or the sublicense agreement between ALNYLAM and such further sublicensee) is rejected, disclaimed, resiliated or terminated during the course of any intervening proceedings that may occur with respect to Licensee, including but not limited to any insolvency proceedings or winding up proceedings (which can include proceedings commenced under the Companies Creditors Arrangement Act, the appointment of an interim receiver or receiver, and/or the appointment of a Trustee in Bankruptcy), or upon further order of a Court of competent jurisdiction (an "Intervening Event"). Should an Intervening Event occur and if the Sublicense Agreement (or the sublicense agreement between ALNYLAM and such further sublicensee) is otherwise in good standing at such time, the University will at such time enforce, its rights to grant to Alnylam (or to such further sublicensee) a direct license in respect of the same rights under the Technology covered in the Sublicense Agreement (or the sublicense agreement between ALNYLAM and such further sublicensee) in a New License; provided that the University will not be in default of its obligations under this Article 3.4 if it refuses to take an action that it has been informed, on reasonable advice of counsel, is a violation of applicable law. The portion of the rights to the Technology licensed to Licensee under this Agreement that corresponds to the rights sublicensed to Alnylam under the Sublicense Agreement (or to such further sublicensee under such further sublicense) will automatically terminate upon the University granting the license contemplated herein. The parties agree that all costs, claims and liabilities, directly or indirectly incurred by the University in fulfilling its obligations under this Article 3.4 (including, but not limited to, all out of pocket expenses and reasonable attorneys' fees) will be subject to ALNYLAM's indemnity obligations as

set forth in Section 2.3 of the Consent Agreement dated January 8, 2007 among ALNYLAM, Licensee and the University (the "Consent Agreement"). As used in this Article 3.4, a New License means a new license agreement that: (i) is effective as of the date of termination of this Agreement or the rejection, disclaimer, resiliation or termination of the Sublicense Agreement (or ALNYLAM's sublicense with a further sublicensee), as applicable; (ii) grants to ALNYLAM (or to ALNYLAM's further sublicensee) rights on terms equivalent to, and not greater than, those granted by Licensee to ALNYLAM under the Sublicense Agreement (or to ALNYLAM's further sublicensee under the sublicense agreement between ALNYLAM and such further sublicensee), to the extent that such rights are not inconsistent with the terms of this Agreement that are the subject of the Sublicense Agreement (or such further sublicense), and to the extent that the obligations to ALNYLAM are no greater than the University's obligations to Licensee set forth in this Agreement, applied *mutatis mutandis*; (iii) ensures that, during the royalty term of such New License, the University receives for Alnylam's use of the Technology under such New License [*] of the milestones and royalties accruing after the effective date of such New License that are payable or that, but for termination of the LCA, would have been payable, to Licensee pursuant to those provisions of the LCA attached to the Consent Agreement as Exhibit B; (iv) provides that ALNYLAM shall have cured any breach by Licensee of any obligation of Licensee under this Agreement to the extent such breach relates to the rights granted ALNYLAM under the Sublicense Agreement; and (v) otherwise contains mutually agreeable customary terms and conditions generally consistent with this Agreement and not inconsistent with clauses (i) through (iv), above."

1.2.2 The following is added immediately after the first sentence of Section 13.1:

The parties agree that it will be reasonable for the University to refuse to consent to any assignment that would, or that the University reasonably believes would, result in the termination of, or other diminution of ALNYLAM's rights under, ALNYLAM's Sublicense Agreement.

1.2.3 The following is added after the contact information for the University set forth in Article 15.1:

"and
[*]
[*]
[*]
[*]
[*]
[*]"

***Confidential Treatment Requested.**

1.2.4 The following is added after the contact information for Licensee set forth in Article 15.1:

"and
[*]
[*]
[*]
[*]
[*]"

1.2.5 Schedule "A" of the Amendment Agreement effective July 11, 2006 shall be replaced by Schedule "A" attached hereto.

1.2.6 The parties acknowledge and agree that the amendment of Schedule A as provided in Section 1.2.5 of this Second Amendment Agreement was the result of an Assignment Agreement dated January 8, 2007 (the "Assignment Agreement") under which Licensee assigned certain patent rights to the University. Licensee and the University agree as follows, effective as of the execution of the Assignment Agreement, with regard to the Assignment Agreement:

1. As a material inducement to the University entering into the Assignment Agreement and completing the transactions contemplated by the Assignment Agreement and acknowledging that the University is entering into the Assignment Agreement and this Second Amendment Agreement in reliance upon the representations and warranties of Licensee set out in below, Licensee represents and warrants to the University that:

   (a) Licensee is a corporation duly organised, existing, and in good standing under the laws of British Columbia and has the power, authority, and capacity to enter into the Assignment Agreement and this Second Amendment Agreement and to carry out the transactions contemplated by the Assignment Agreement and this Second Amendment Agreement, all of which have been duly and validly authorised by all requisite corporate proceedings;

   (b) Licensee has obtained all necessary consents and approvals to the sale, assignment and transfer of the rights contemplated under the Assignment Agreement and the subsequent amendment by this Second Amendment Agreement of the 2001 License Agreement, as amended, including without limitation those required of any sublicensee of Licensee, any court of competent jurisdiction or any other third party;

   (c) the execution, delivery and performance by Licensee of the Assignment Agreement and the subsequent amendment by this Second Amendment Agreement of the 2001 License Agreement, as amended, do not contravene or constitute a default under any provision of any agreement

between Licensee and any third party, or under any applicable law or Licensee's articles or by-laws (or equivalent documents) or of any judgment, injunction, order, decree or other instrument binding upon Licensee;

(d) all licenses, consents, authorizations and approvals, if any, required for the execution, delivery and performance by Licensee of the Assignment Agreement and the subsequent amendment by this Second Amendment Agreement of the 2001 License Agreement, as amended, have been obtained and are in full force and effect and all conditions thereof have been complied with, and no other action by or with respect to, or filing with, any third party, court, governmental authority or any other person is required in connection with the execution, delivery and performance by Licensee of the Assignment Agreement or the subsequent amendment by this Second Amendment Agreement of the 2001 License Agreement, as amended;

(e) the Assignment Agreement and this Second Amendment Agreement constitutes a valid and binding agreement of Licensee, enforceable against Licensee in accordance with its terms;

(f) Licensee is not aware of any impediment, including without limitation any third party agreement of Licensee, which would prevent Licensee from performing its obligations under the Assignment Agreement or this Second Amendment Agreement; and

(g) Licensee will not enter into any third party agreement after execution of the Assignment Agreement and the subsequent amendment by this Second Amendment Agreement of the 2001 License Agreement, as amended, which, in any way, will prevent Licensee from performing all of its obligations thereunder;

2. Licensee hereby indemnities, holds harmless and defends the University, its Board of Governors, officers, employees, faculty, students, invitees and agents (the "**UBC Indemnitees**") against any and all claims (including all legal fees and disbursements incurred in association therewith) arising out of the breach of any of the terms of the Assignment Agreement or this Second Amendment Agreement, including, without limiting the generality of the foregoing, against any damages or losses, consequential or otherwise, arising from or out of any breach of the warranties and representations of Licensee set out in this Second Amendment Agreement.

1.2.7 Licensee agrees that, in addition to the patent applications and letters patent assigned to the University under the Assignment Agreement, Licensee assigns to the University, effective as of execution of the Assignment Agreement, all of Licensee's right, title and interest in and to all inventions, practices, methods, protocols, formulas, formulations, knowledge, know-how, trade secrets, processes, assays, skills, experience, techniques and

results of experimentation and testing claimed, covered by or relating to such patent applications and letters patent, solely in the Field identified in the second paragraph of the Assignment Agreement.

1.2.8 For avoidance of doubt, under the 2001 Licensee Agreement as amended by the Amendment Agreement effective July 11, 2006 and this Second Amendment, the University grants to the Licensee, in addition to the other rights granted under such agreement, an exclusive worldwide license to use and sublicense the Technology claimed, covered by or relating to the patent applications and letters patents listed as [*] in the RNAi and miRNA Field and to research, develop, manufacture, have made, distribute, import, use, sell and have sold RNAi Products and miRNA Products on the terms and conditions set forth in, and during the term of, the 2001 License Agreement as so amended.

1.3 General

1.3.1 This Second Amendment Agreement shall be governed and construed by the laws of the Province of British Columbia without regard to its conflict of laws principles.

1.3.2 This Second Amendment Agreement and all the provision hereof shall be binding upon and enure to the benefit of the parties hereto and their respective successors, transferees and assigns.

1.3.3 The parties acknowledge and agree that all of the terms, provisions, covenants and conditions of the 2001 License Agreement and the Amendment Agreement effective July 11, 2006 shall hereafter continue in full force and effect in accordance with the terms thereof, except to the extent amended modified, deleted or revised herein.

[Signature page follows]

***Confidential Treatment Requested.**

IN WITNESS WHEREOF, the Parties hereto have caused this Second Amendment Agreement to be executed as a sealed instrument in their names by their properly and duly authorized officers or representatives.

Signed for and on behalf of the
UNIVERSITY OF BRITISH COLUMBIA
by its duly authorized officer:

/s/ ANGUS LIVINGSTONE

Name: Angus Livingstone
Title: Managing Director, UILO
January 7, 2007

Signed for and on behalf of
INEX PHARMACEUTICALS CORPORATION
by its duly authorized officer:

/s/ TIMOTHY M. RUANE

Name: Timothy M. Ruane
Title: President and Chief Executive Officer January 8, 2007

SECOND AMENDMENT AGREEMENT: SCHEDULE "A"

DESCRIPTION OF "TECHNOLOGY"

PART I:

The Technology and Patents which are subject to the UBC-Inex Collaborative Research Agreement or as otherwise agreed by the parties, and set out more specifically as follows:

UBC File Number	Inex File Number	Title	Serial/ Patent Numbers	Inventors	Party Credited	UBC Royalty	UBC Sublicense Royalty
[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]

***Confidential Treatment Requested.**

PART II

The Technology and Patents which were originally licensed to the Licensee pursuant to the terms of the 1998 License and set out more specifically as follows:

UBC File #	Inex File #	Description	Patent #'s	Inventors	Party Credited	UBC Royalty	UBC Sublicense Royalty
[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]

***Confidential Treatment Requested.**

ASSIGNMENT

WHEREAS, INEX Pharmaceuticals Corporation (hereinafter referred to as ASSIGNOR), a company duly incorporated under the laws of British Columbia having a place of business at 200 – 8900 Glenlyon Parkway, Burnaby, British Columbia V5J 518, Canada, is the owner of record of the inventions described and claimed in the patent applications and letters patents listed in **Schedule 1** attached hereto;

WHEREAS, The University of British Columbia (hereinafter referred to as ASSIGNEE), a university of the country of Canada, having a place of business at #103-6190 Agronomy Road, Vancouver, British Columbia, Canada, V6T 1Z3, is desirous of acquiring ownership of the patent applications and letters patents listed in **Schedule 1** in the Field defined as "the treatment, prophylaxis and diagnosis of diseases in humans using (a) a product containing, comprised of or based on [*], and that is not a product as described in clause (a)", and of any other letters patent that may be granted for all such patent applications and letters patents in the United States and in any and all foreign countries;

WHEREAS, It is contemplated that ASSIGNOR will enter into a sublicense agreement with Alnylam Pharmaceuticals, Inc. ("Alnylam") which shall grant a sublicense to certain intellectual property licensed by ASSIGNEE to ASSIGNOR (the "Sublicense") and that Alnylam relies upon and requires the use of such intellectual property by way of the Sublicense in respect of its ongoing and anticipated operations.

NOW, THEREFORE, in exchange for good and valuable consideration, including ASSIGNEE approving the Sublicense and the transactions contemplated therein, and the sum of US$1, the receipt of which is hereby acknowledged, ASSIGNOR hereby sells, assigns and transfers unto ASSIGNEE, solely in the Field set forth in the second paragraph of this Assignment Agreement, all right, title and interest in and to the patent applications and letters patents listed in **Schedule 1**, and any and all letters patents that may be granted for the inventions described and claimed in the patent applications and letters patents listed in **Schedule 1** in the United States of America and its territorial possessions and in any and all foreign countries, and any and all divisions, reissues, continuations, extensions, substitutions, confirmations, re-registrations, re-examinations, invalidations, supplementary protection certificates, patents of addition, provisional applications and continuations-in-part of any of the foregoing. For avoidance of doubt, ASSIGNOR will retain all right, title and interest to such patent applications and letters patent, divisions, reissues, continuations, extensions, substitutions, confirmations, re-registrations, re-examinations, invalidations, supplementary protection certificates, patents of addition, provisional applications and continuations-in-part, outside of the Field set forth in the second paragraph of this Assignment Agreement. Assignor agrees to execute all instruments and documents required for the purpose of transferring or recording title to said inventions, patent applications, and letters patent therefore or to otherwise carry out the intent of this Assignment.

***Confidential Treatment Requested.**

INEX PHARMACEUTICALS CORPORATION

By: _____

Print Name: _____

Title: _____

_____

Date

Province of British Columbia)
) ss.
Country of Canada)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he signed this instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

Dated _____

Signature of
Notary Public _____

Printed Name _____

My appointment expires _____

UNIVERSITY OF BRITISH COLUMBIA

_____ By: _____
Date

Print Name: _____

Title: _____

Province of British Columbia)
) ss.
Country of Canada)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he/she signed this instrument and acknowledged it to be his/her free and voluntary act for the uses and purposes mentioned in the instrument.

Dated _____

Signature of
Notary Public _____

Printed Name _____

My appointment expires _____

Schedule 1
[See attached]

Schedule 1

Ctry	Application Number	Filing Date	Title	Patent Number	Issue Date
[*]	[*]	[*]	[*]	[*]	[*]

***Confidential Treatment Requested.**

Exhibit 4.20

* Confidential Treatment has been requested for the marked portions of this exhibit pursuant to Rule 24B-2 of the Securities Exchange Act of 1934, as amended.

Execution Copy

CONSENT AND AGREEMENT OF
THE UNIVERSITY OF BRITISH COLUMBIA TO
INEX / ALNYLAM SUBLICENSE AGREEMENT

THIS CONSENT AGREEMENT dated effective January 8, 2007

AMONG:

THE UNIVERSITY OF BRITISH COLUMBIA, a corporation continued under the University Act of British Columbia and having its administrative offices at 2075 Wesbrook Mall, in the City of Vancouver, in the Province of British Columbia, V6T 1W5

(the "**University**")

AND:

INEX PHARMACEUTICALS CORPORATION, a corporation duly incorporated under the laws of the Province of British Columbia and having an office at 100 - 8900 Glenlyon Parkway, in the City of Burnaby, in the Province of British Columbia, VJ3 5J8

("**INEX**")

AND:

ALNYLAM PHARMACEUTICALS, INC., a corporation duly incorporated under the laws of the State of Delaware and having an office at 300 Third Street, 3rd Floor, Cambridge, MA 02142

("**ALNYLAM**")

WHEREAS:

A. Pursuant to a License Agreement between INEX and the University of British Columbia (the "**University**") dated effective July 1, 1998, as amended by an Amendment Agreement dated effective as of July 11, 2006 and a Second Amendment Agreement of even date with this Consent Agreement (as so amended, the "**UBC License**"), the University has exclusively licensed to INEX, certain patents and technology invented, developed and/or acquired by the University relating to liposomal drug delivery technologies.

B. The UBC License requires the consent of the University to any grant of sublicense thereunder by INEX;

C. INEX desires to sublicense to ALNYLAM certain rights under the UBC License, on the terms and conditions set out in the Sublicense Agreement (the "**Sublicense Agreement**") in substantially the form attached as **Exhibit A** hereto;

D. The University desires to consent to INEX sublicensing to ALNYLAM certain rights under the UBC License on terms and conditions as substantially set out in the Sublicense Agreement, and INEX and ALNYLAM desire to accept such consent, on the terms and conditions set out in this Consent Agreement; and

E. Alnylam relies upon and requires the use of the technology sublicensed under the Sublicense Agreement in respect of its ongoing and anticipated operations.

NOW THEREFORE THIS CONSENT AGREEMENT WITNESSETH that in consideration of the premises and of the mutual covenants herein set forth, the parties hereto have covenanted and agreed as follows:

ARTICLE 1 CONSENT

1.1 Definitions

Unless otherwise expressly defined in this Consent Agreement, capitalized terms shall have the meanings set out in the Sublicense Agreement.

1.2 Consent of University

The University hereby consents to INEX sublicensing to ALNYLAM certain rights under the UBC License, on the terms and conditions set out in the Sublicense Agreement and on the terms and conditions set out in this Consent Agreement.

1.3 ALNYLAM Consent to Certain Disclosures to the University

ALNYLAM consents to INEX disclosing to the University:

(i) ALNYLAM's report to INEX made pursuant to Article 10.8 of the Sublicense Agreement; and

(ii) copies of ALNYLAM's sublicenses provided to INEX pursuant to Article 4.3 of the Sublicense Agreement;

solely for the purposes of calculation of royalties under the UBC License, determining compliance with Section 10.8 of the UBC License and determining compliance with Article 5 of the Sublicense Agreement, and the University shall use reasonable efforts to ensure that all information provided to the University or its representatives pursuant to this Section remains confidential and is treated as such by the University.

1.4 Notice of Default under UBC License

The University will, upon request by ALNYLAM or any further sublicensee of ALNYLAM, provide ALNYLAM or such further sublicensee with a letter confirming that if the University:

(i) gives notice of default to INEX pursuant to Article 17.3 of the UBC License, or

(ii) takes any other action pursuant to Articles 17.1 or 17.2 of the UBC License to terminate the UBC License,

then, prior to any termination of the UBC License, the University will give ALNYLAM or such further sublicensee written notice of such default or intention to terminate the UBC License, and in the event of any breach or default by INEX, which may be cured pursuant to Article 17.3 of the UBC License, will for [*] days from the date of such notice to ALNYLAM or such further sublicensee, give ALNYLAM or such further sublicensee the opportunity to cure such default or breach as such default or breach relates to the rights granted ALNYLAM under the Sublicense Agreement on the terms provided in Article 17.3 of the UBC License, *mutatis mutandis*.

1.5 UBC License

(a) Notwithstanding the terms and conditions of the UBC License, the University agrees that if the UBC License is terminated outside the course of any Intervening Event (as defined below), ALNYLAM may, by written notice delivered to the University:

(i) confirm the terms and conditions of the UBC License as it relates to the rights ALNYLAM has been granted under the Sublicense Agreement;

(ii) confirm ALNYLAM's discharge of the obligations of INEX under the UBC License applicable to the grant of sublicense to ALNYLAM under the Sublicense Agreement beginning upon the date of termination of the UBC License; and

(iii) acknowledge that the University has no obligations to ALNYLAM other than obligations equivalent to its obligations to INEX set forth in the UBC License, applied *mutatis mutandis*;

and, notwithstanding anything to the contrary in the UBC License, upon the receipt of ALNYLAM's notice and provided that ALNYLAM (or ALNYLAM's further sublicensee) is not then in breach of any material provision of the Sublicense Agreement (or the sublicense agreement between ALNYLAM and its further sublicensee), the University will grant to ALNYLAM (or such further sublicensee) a New License (as defined below) from the University, effective as of the date of termination of the UBC License.

(b) Further, the parties acknowledge that, under the UBC License, the University retains the right to grant to ALNYLAM (or to ALNYLAM's further sublicensee) a direct license in respect of the same rights under the Technology covered in the Sublicense Agreement (or covered in the sublicense agreement between ALNYLAM and such further sublicensee). The University agrees that it shall not enforce such right to grant a direct license unless the Sublicense Agreement (or the sublicense agreement between ALNYLAM and such further sublicensee) is rejected, disclaimed, resiliated or terminated during the course of any intervening proceedings that may occur with respect to INEX, including but not limited to any insolvency proceedings or winding up proceedings (which can include proceedings commenced under the Companies Creditors Arrangement Act, the appointment of an interim receiver or receiver, and/or the appointment of a Trustee in Bankruptcy), or upon further order of a Court of competent jurisdiction (an "Intervening Event"). Should an Intervening Event occur and if the Sublicense Agreement (or the sublicense agreement between ALNYLAM and such further sublicensee) is otherwise in good standing at such time, the University will at such time enforce, its rights to grant to Alnylam (or to such further sublicensee) a direct license in respect of the same rights under the Technology covered in the Sublicense Agreement (or the sublicense agreement between ALNYLAM and such further sublicensee) in a New License; provided that the University will not be in default of its obligations under this Section 1.5(b) if it refuses to take an action that it has been informed, on reasonable advice of counsel, is a violation of applicable law. The portion of the rights to the Technology licensed to INEX under the UBC License that corresponds to the rights sublicensed to Alnylam under the Sublicense Agreement (or to such further sublicensee under such further sublicense) will automatically terminate

upon the University granting the license contemplated herein. The parties agree that all costs, claims and liabilities, directly or indirectly incurred by the University in fulfilling its obligations under this Section 1.5(b) (including, but not limited to, all out of pocket expenses and reasonable attorneys' fees) will be subject to ALNYLAM's indemnity obligations as set forth in Section 2.3 of this Consent Agreement.

As used in this Section, a New License means a new license agreement that:

(i) is effective as of the date of termination of the UBC License or the rejection, disclaimer, resiliation or termination of the Sublicense Agreement (or ALNYLAM's sublicense with a further sublicensee), as applicable;

(ii) grants to ALNYLAM (or to ALNYLAM's further sublicensee) rights on terms equivalent to, and not greater than, those granted by INEX to ALNYLAM under the Sublicense Agreement (or to ALNYLAM's further sublicensee under the sublicense agreement between ALNYLAM and such further sublicensee), to the extent that such rights are not inconsistent with the terms of the UBC License that are the subject of the Sublicense Agreement (or such further sublicense) and to the extent that the obligations to ALNYLAM are no greater than the University's obligations to INEX set forth in the UBC License, applied *mutatis mutandis*;

(iii) ensures that, during the royalty term of such New License, the University receives for Alnylam's use of the Technology under such New License [*] of the milestones and royalties accruing after the effective date of such New License that are payable or that, but for termination of the LCA, would have been payable, to INEX pursuant to those provisions of the LCA attached to this Consent Agreement as Exhibit B;

(iv) provides that ALNYLAM shall have cured any breach by INEX of any obligation of INEX under the UBC License to the extent such breach relates to the rights granted ALNYLAM under the Sublicense Agreement; and

(v) otherwise contains mutually agreeable customary terms and conditions generally consistent with the UBC License and not inconsistent with clauses (i) through (iv), above.

1.6 Patent Prosecution.

If INEX discontinues or does not pursue one or more patent applications, patent protection, or patent maintenance, in relation to the Patent(s) as described in Article 6.6(a) of the UBC License, then the University shall notify ALNYLAM in writing of its intent to terminate the UBC License with respect to such patent or patent application pursuant to the provisions of Article 17 of the UBC License, and shall afford ALNYLAM and its sublicensees the opportunity to pursue one or more patent applications, patent protection, or patent maintenance, in relation to the Patent(s) as described in such Article 6.6(a) and shall not terminate the UBC License with respect to such patent or patent application so long as ALNYLAM or its sublicensees is pursuing one or more patent applications, patent protection, or patent maintenance, in relation to the Patent(s) as described in such Article 6.6(a), and ALNYLAM shall in such case continue to pay all royalties and milestones to INEX in accordance with the terms of the LCA. If ALNYLAM and its sublicensees decline to pursue patent applications, patent protection or patent maintenance in relation to one or more Patents (the "Discontinued Patent"), provided that the University diligently pursues such Discontinued Patent application, or maintains any existing registration for the Discontinued Patent, ALNYLAM and its sublicensees shall not have the right to use the Technology claimed in any such Patent(s) and/or Patent applications and Schedule "*A*" of the Sublicense Agreement will be deemed to be amended to exclude such Patent(s) and/or Patent applications from the grant of license contained therein.

***Confidential Treatment Requested.**

For the purposes of greater clarity, the parties agree that should INEX, ALNYLAM or ALNYLAM's sublicensees decide not to pursue patent protection in relation to the Patents in a specific jurisdiction for reasonable commercial reasons, this shall not invoke the provisions of Article 6.6 of the UBC License.

1.7 Rights of the University

In consideration of the University providing its consent herein, INEX and ALNYLAM agree that the University shall be entitled to rely upon any rights provided to the University pursuant to the terms of the Sublicense Agreement, notwithstanding that the University is not a party to the Sublicense Agreement.

1.8 Acknowledgment of Certain Sublicense Agreement Clauses

Notwithstanding anything to the contrary in the UBC License, the University acknowledges that (a) the licenses granted to ALNYLAM under the Sublicense Agreement will be as set forth in Section 3.1 of the Sublicense Agreement; (b) ownership of Improvements developed using the rights granted ALNYLAM under the Sublicense Agreement will be governed by Section 6.4 of the Sublicense Agreement; and (c) the relevant provisions of Section 16.1 will govern if the license granted ALNYLAM under the Sublicense Agreement becomes paid-up as a result of INEX's breach of the LCA. [*]

1.9 Agreement Not To Amend

INEX and the University agree that they will not amend the UBC License in a manner that would materially affect any of ALNYLAM's rights under the Sublicense Agreement or this Consent Agreement without the prior written consent of ALNYLAM.

1.10 Assignment and Second Amendment Agreement

The parties acknowledge that, substantially concurrently with this Consent Agreement, INEX and the University have entered into (a) a Second Amendment Agreement that modifies certain terms of the UBC License and pursuant to which certain know-how is assigned by INEX to the University, and (b) an Assignment Agreement, pursuant to which INEX assigns certain patent rights to the University. INEX and the University acknowledge and agree that the changes to the UBC License effected by such Second Amendment Agreement and such Assignment Agreement affect intellectual property that ALNYLAM relies upon, and requires the use of by way of the Sublicense Agreement, in respect of its ongoing and anticipated operations. Without limiting the generality of the foregoing, the University agrees that it will not consent to any assignment of the UBC License under Section 13.1 of the UBC License by INEX or its successors or assigns if such assignment would, or the University reasonably believes that such assignment would, result in the termination of, or other diminution of ALNYLAM's rights under, the Sublicense Agreement.

ARTICLE 2 ALLOCATION OF RISK

2.1 Limited Warranties

ALNYLAM and its Affiliates hereby expressly acknowledge and agree that:

(a) Except as expressly set out in Section 2.1(c) of this Consent Agreement, the University makes no representations, conditions, or warranties, either express or implied, with respect to the Technology, Improvements, Patents or any Products. Without limiting the generality of the foregoing, the University specifically disclaims any implied warranty, condition, or representation that the Technology, Improvements, Patents or Products:

(i) shall correspond with a particular description;

(ii) are of merchantable quality;

(iii) are fit for a particular purpose; or

(iv) are durable for a reasonable period of time.

(b) Except as expressly set out in Section 2.1(c) of this Consent Agreement, nothing in the UBC License, this Consent Agreement, or the Sublicense Agreement shall be construed as:

(i) a warranty or representation by the University as to title to the Technology, the Patents or any Improvement or that anything made, used, sold or otherwise disposed of under the license granted in this Agreement is or will be free from infringement of patents, copyrights, trade-marks, industrial design or other intellectual property rights,

(ii) an obligation by the University to bring or prosecute or defend actions or suits against third parties for infringement of patents, copyrights, trade-marks, industrial designs or other intellectual property or contractual rights, or

(iii) the conferring by the University of the right to use in advertising or publicity the name of the University or UBC Trade-marks.

(c) [*]

2.2 Disclaimer of Product Liability

ALNYLAM and its Affiliates hereby expressly acknowledge and agree that the University shall not be liable for any damages, or any other loss, whether direct, indirect consequential, incidental, or special which ALNYLAM or its Affiliates, or any further sublicensee under any sublicense agreements between ALNYLAM and such further sublicensee, suffer, arising from any defect, error, fault, or failure to perform with respect to the Technology, Patents, Improvements or any Products, even if the University has been advised of the possibility of such defect, error, fault, or failure. ALNYLAM and its Affiliates acknowledge that they have been advised by the University to undertake their own due diligence with respect to the Technology, Patents, Improvements and Products.

2.3 Indemnification of the University

ALNYLAM and its Affiliates hereby indemnify, hold harmless and defend the University, its Board of Governors, officers, employees, faculty, students, invitees and agents (the "**UBC Indemnitees**") against any and all claims (including all legal fees and disbursements incurred in association therewith) arising out of the exercise of any rights under this Consent Agreement, the UBC License or the Sublicense Agreement, including, without limiting the generality of the foregoing, against any damages or losses, consequential or otherwise, arising from or out of the use of the Technology, Patents, Improvements or Product(s) sublicensed under the Sublicense Agreement by ALNYLAM or its Related Parties, or their respective customers or end-users howsoever the same may arise. For greater clarity, it is confirmed that, without limiting the generality of the foregoing, the indemnification by ALNYLAM and its Affiliates of the UBC lndemnitees set out in this Consent Agreement shall include an obligation to indemnify the UBC Indemnitees against any and all subrogated claims which may be brought against the UBC Indemnitees by any person(s) or entities (including without limitation ALNYLAM, its Related Parties, their respective customers or end-users, or their respective insurers) which may not have waived their rights of subrogation against the UBC lndemnitees, and shall also include, without limiting any of the forgoing, an obligation to indemnify the UBC Indemnitees against any and all claims relating to any injury or death to any person or damage to any property caused by any Product, whether claimed by reason of breach of warranty, negligence, product defect or otherwise, and regardless of the form in which any such claim is made.

2.4 Monetary Cap Respecting UBC License

The University's liability, whether under the express or implied terms of this Consent Agreement, the UBC License or the Sublicense Agreement, in tort (including negligence), or at common law, for any loss or damage suffered by ALNYLAM or its Related Parties, whether direct, indirect, special, or any other similar or like damage, to the extent that such losses or damage may arise or does arise from any breaches of the UBC License, this Consent Agreement or the Sublicense Agreement by UBC Indemnitees, shall be limited to the sum of $[*].

2.5 Disclaimer of Consequential Losses by the University

In no event shall the University be liable for consequential or incidental damages arising from any breach or breaches of the UBC License, the Sublicense Agreement or this Consent Agreement.

2.6 Litigation

Provided that INEX has obtained the University's consent required by Article 7 of the UBC License, INEX's right to prosecute litigation in Article 7 of the UBC License may be exercised by ALNYLAM pursuant to Sections 7.5 and 7.6 of the Sublicense Agreement.

2.7 UBC Trade-marks

ALNYLAM shall not use any of the University's trade-marks or make reference to the University or its name in any advertising or publicity whatsoever, without the prior written consent of the University, except as required by law. Nothing herein shall prevent ALNYLAM from making or issuing factual statements to the public regarding its business or use of the Patent. If ALNYLAM is required by law to act in contravention of this provision, ALNYLAM shall provide the University with sufficient advance notice in writing to permit the University to bring an application or other proceeding to contest the requirement.

2.8 Confidentiality of Terms

ALNYLAM requires of the University, and the University agrees insofar as it may be permitted to do so at law, that this Consent Agreement, the Sublicense Agreement and each part of each of them, is confidential and shall not be disclosed to third parties, as ALNYLAM claims that such disclosure would or could reveal commercial, scientific or technical information and would significantly harm ALNYLAM's competitive position and/or interfere with ALNYLAM's negotiations with prospective sublicensees. Notwithstanding anything contained in this Section 2.8, the parties hereto acknowledge and agree that the University may identify the title of this Consent Agreement and/or the Sublicense Agreement, the parties to this Consent Agreement and/or the Sublicense Agreement, the inventors of the Technology, the term of this Consent Agreement and/or the Sublicense Agreement, and the consideration actually paid to the University pursuant to this Consent Agreement and/or the Sublicense Agreement.

2.9 Confidentiality of Materials

The University shall use its reasonable efforts to maintain as confidential any business plans, business documents or other reports prepared by ALNYLAM and delivered to the University, whether directly by ALNYLAM or by INEX, pursuant to the terms of this Consent Agreement or the Sublicense Agreement and which are identified in writing by ALNYLAM as confidential.

***Confidential Treatment Requested.**

2.10 Disclosure

ALNYLAM may disclose the University's Confidential Information to third parties in the exercise of ALNYLAM's rights under the license granted in the Sublicense Agreement, provided that such third parties are subject to appropriate confidentiality obligations to ALNYLAM.

2.11 INEX Warranties

INEX warrants and represents to the University that:

(a) INEX is a corporation duly organised, existing, and in good standing under the laws of British Columbia and has the power, authority, and capacity to enter into this Consent Agreement and to carry out the transactions contemplated by this Consent Agreement, all of which have been duly and validly authorised by all requisite corporate proceedings;

(b) INEX has obtained all necessary consents and approvals to the sublicensing of certain rights of INEX under the UBC License to ALNYLAM in accordance with the terms of the Sublicense Agreement, including without limitation those required of any court of competent jurisdiction or required of any noteholder, creditor or shareholder of INEX, which may be required to be obtained pursuant to any bankruptcy or insolvency proceedings involving INEX or otherwise;

(c) the execution, delivery and performance by INEX of this Consent Agreement and the Sublicense Agreement do not contravene or constitute a default under any provision of applicable law or its articles or by-laws (or equivalent documents) or of any judgment, injunction, order, decree or other instrument binding upon INEX;

(c) all licenses, consents, authorizations and approvals, if any, required for the execution, delivery and performance by INEX of this Agreement and the Sublicense Agreement have been obtained and are in full force and effect and all conditions thereof have been complied with, and no other action by or with respect to, or filing with, any court, governmental authority or any other person is required in connection with the execution, delivery and performance by INEX of this Consent Agreement or the Sublicense Agreement;

(d) this Consent Agreement constitutes a valid and binding agreement of INEX, enforceable against INEX in accordance with its terms;

(f) INEX is not aware of any impediment, including without limitation any third party agreement of INEX, which would prevent INEX from performing its obligations under this Consent Agreement;

(g) INEX will not enter into any third party agreement after execution of this Consent Agreement which, in any way, will prevent INEX from performing all of its obligations hereunder; and

(h) all amounts received by INEX from ALNYLAM pursuant to the provisions of the LCA attached to this Consent Agreement as Exhibit B will be considered Sublicensing Revenue under the terms of the UBC License and, if there are any other amounts received by INEX from ALNYLAM under the LCA as a result of terms of the LCA that have not been disclosed to the University as of the date of this Consent Agreement, any such amounts will also be considered Sublicensing Revenue to the extent that such amounts qualify as Sublicensing Revenue under the terms of the UBC License.

2.12 INEX Indemnity

In addition to the indemnification by INEX of the UBC as set out in the UBC License, INEX hereby indemnifies, holds harmless and defends the UBC Indemnitees against any and all claims (including all legal fees and disbursements incurred in association therewith) arising out of the breach of any of the

terms of this Consent Agreement, including, without limiting the generality of the foregoing, against any damages or losses, consequential or otherwise, arising from or out of any breach of the warranties and representations of INEX set out in this Consent Agreement.

2.13 ALNYLAM Warranties

ALNYLAM warrants and represents to the University that:

(a) ALNYLAM is a corporation duly organised, existing, and in good standing under the laws of Delaware and has the power, authority, and capacity to enter into this Consent Agreement and to carry out the transactions contemplated by this Consent Agreement, all of which have been duly and validly authorised by all requisite corporate proceedings;

(b) the execution, delivery and performance by ALNYLAM of this Consent Agreement and the Sublicense Agreement do not contravene or constitute a default under any provision of applicable law or its articles or by-laws (or equivalent documents) or of any judgment, injunction, order, decree or other instrument binding upon ALNYLAM; and

(c) this Consent Agreement constitutes a valid and binding agreement of ALNYLAM, enforceable against ALNYLAM in accordance with its terms.

2.14 Document Disclosure

ALNYLAM and INEX each agree that, as of the date of this Consent Agreement, the University has reviewed only those parts of the LCA attached hereto as Schedule B. In consideration of the University's entering into this Consent Agreement without first reviewing the entire LCA, ALNYLAM and INEX each agree that, if any provision of the LCA conflicts with the provisions of this Consent Agreement, the UBC License or the provisions of the LCA attached to or described in this Consent Agreement or the Sublicense Agreement, the University will not be prejudiced by such conflict.

ARTICLE 3 GENERAL PROVISIONS

3.1 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

3.2 Entire Agreement

This Agreement, the UBC License and the Sublicense Agreement set forth the entire understanding between the parties related to the subject matter hereof and no modifications hereof shall be binding unless executed in writing by the parties hereto.

3.3 Enurement

Subject to the limitations hereinbefore expressed, this Consent Agreement shall inure to the benefit of and be binding upon the parties, and their respective successors and permitted assigns.

3.4 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada in force therein without regard to its conflict of law rules. All parties agree that by executing this Consent Agreement they have submitted to the jurisdiction of the

Supreme Court of British Columbia. Subject to the arbitration provisions of the UBC License and the Sublicense Agreement, the courts of British Columbia shall have exclusive jurisdiction over this Consent Agreement.

3.5 Notices

Any notice or other communication in connection with this Consent Agreement must be in writing and if by mail, by registered mail, return receipt requested, and shall be effective when delivered to the addressee at the address listed below or such other address as the addressee shall have specified in a notice actually received by the addressor.

If to INEX:

[*]
[*]
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and:
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If to ALNYLAM:
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and:
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If to the University:
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[*]

***Confidential Treatment Requested.**

and
[*]
[*]
[*]
[*]
[*]
[*]

[Signature page follows]

***Confidential Treatment Requested.**

IN WITNESS WHEREOF, each of the parties has caused this Consent Agreement to be executed on its behalf by a duly authorised officer as of the date first written above.

THE UNIVERSITY OF BRITISH COLUMBIA
by its duly authorized officer:

/s/ ANGUS LIVINGSTONE

Name: Angus Livingstone
Title: Managing Director, UILO

Date: January 7, 2007

INEX PHARMACEUTICALS CORPORATION
by its authorized signatory:

/s/ TIMOTHY M. RUANE

Name: Timothy M. Ruane
Title: President & CEO

Date: January 8, 2007

ALNYLAM PHARMACEUTICALS, INC.
by its authorized signatory:

/s/ JOHN MARAGONORE

Name: John Maraganore, PhD
Title: President & Chief Executive Officer

Date: January 8, 2007

EXHIBIT A
SUBLICENSE AGREEMENT

Attached on the following pages is substantially the form of Sublicense Agreement between INEX Pharmaceuticals Corporation and ALNYLAM

EXHIBIT "B"

Terms of the License and Collaboration Agreement (LCA) Disclosed to UBC

Milestones and Royalty Provisions

License Fees and Milestones Payable by Alnylam.

Upfront License Fee. As partial consideration for the grant by INEX to Alnylam of the licenses and other rights hereunder, within [*] calendar days following the Effective Date, Alnylam shall pay INEX an upfront license fee payment of [*].

Milestone Fees.

(a) As partial consideration for the grant by INEX to Alnylam of the licenses and other rights hereunder, Alnylam shall make the milestone payments to INEX set forth below on a Target-by-Target basis, no later than thirty (30) calendar days after the earliest date on which the corresponding milestone event has been achieved with respect to the first Alnylam Royalty Product directed to a Target (other than a Biodefense Target) to achieve such milestone event:

Milestone Event	Payment
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]

(b) If, however, the Target is a Biodefense Target, in lieu of the milestone payments set forth in Section 7.1.2(a), the following milestone payments shall be payable, on a Target-by-Target basis, no later than thirty (30) calendar days after the later of (i) the earliest date on which the corresponding milestone event has been achieved with respect to the first Alnylam Royalty Product directed to a Biodefense Target to achieve such milestone event and (ii) receipt by Alnylam of all funding from a Funding Authority that Alnylam is eligible to receive for the achievement of such milestone event:

Milestone Event	Payment
[*]	[*]
[*]	[*]
[*]	[*]

(c) Notwithstanding the foregoing: (i) in the event that the first Alnylam Royalty Product directed to a Target to achieve a milestone event as set forth in Sections 7.1.2(a) or (b) above is comprised of a formulation employing [*] provided, however, Alnylam has granted to INEX a non-exclusive right, and royalty bearing only to the extent of Alnylam's obligation to the licensor, to use such [*] for the Development, Manufacture and Commercialization of INEX Royalty Products; and (ii) notwithstanding that a Target is a Biodefense Target, if Alnylam or its Related Parties Commercialize or sell an Alnylam Royalty Product directed to such Target other than to a Funding Authority, the milestone payment amounts set forth in Section 7.1.2(a) shall then apply in lieu of the amounts set forth in Section 7.1.2(b).

(d) Each milestone payment by Alnylam to INEX hereunder shall be payable only once for each Target, regardless of the number of times the milestone is achieved with respect to one or more Alnylam Royalty Products directed to such Target. For clarity, in the event that an Alnylam Royalty Product is directed to more than one Target (a "Multiple Target Product"), no milestone payment shall be payable in respect of any Target for which a milestone payment has already been made with respect to another Alnylam Royalty Product directed to any of the Targets to which such Multiple Target Product is directed.

Royalties.

Royalties Payable on Net Sales by Alnylam.

(a) As partial consideration for grant by INEX to Alnylam of the licenses and other rights hereunder, subject to the terms and conditions of this Agreement, Alnylam shall pay to INEX royalties on Net Sales of Alnylam Royalty Products in the Territory by Alnylam and its Related Parties as follows:

Aggregate Calendar Year Net Sales of the Alnylam Royalty Product in the Territory	Royalty (as a percentage of Net Sales)
[*]	[*]
[*]	[*]
[*]	[*]

(b) Notwithstanding the foregoing, in the event that an Alnylam Royalty Product is comprised of a formulation employing [*], then subject to the terms and conditions of this Agreement, Alnylam shall pay to INEX royalties on Net Sales of Alnylam Royalty Products in the Territory by Alnylam and its Related Parties as follows, provided, however, Alnylam has granted to INEX a non-exclusive right, and royalty bearing only to the extent of Alnylam's obligation to the licensor, to use such [*] to the extent that such rights are available) for the Development, Manufacture and Commercialization of INEX Royalty Products:

Aggregate Calendar Year Net Sales of the Alnylam Royalty Product in the Territory	Royalty (as a percentage of Net Sales)
[*]	[*]
[*]	[*]
[*]	[*]

Royalties Payable on Net Sales by INEX.

(a) As partial consideration for the grant by Alnylam to INEX of the licenses and other rights hereunder, subject to the terms and conditions of this Agreement, INEX shall pay to Alnylam royalties on Net Sales of INEX Development Products that are INEX Royalty Products, in the Territory by INEX and its Related Parties as follows:

Aggregate Calendar Year Net Sales of the INEX Development Product in the Territory	Royalty (as a percentage of Net Sales)
[*]	[*]
[*]	[*]
[*]	[*]

(b) Subject to the terms and conditions of this Agreement, INEX shall pay to Alnylam royalties on Net Sales of IOC Products that are INEX Royalty Products, in the Territory by INEX and its Related Parties as follows:

Aggregate Calendar Year Net Sales of the IOC Product in the Territory	Royalty (as a percentage of Net Sales)
[*]	[*]
[*]	[*]
[*]	[*]

Additional Royalty Provisions. Royalties on Royalty Products at the rate set forth above, shall be payable on a country-by-country and product-by-product basis commencing on the date of First Commercial Sale of such Royalty Product in a country and continuing until the later of the expiration of the last Valid Claim Covering the Manufacture or Commercialization of such Royalty Product in the country of sale, subject to the following conditions:

(a) only one royalty shall be due with respect to the same unit of Royalty Product;

(b) no royalties shall be due upon the sale or other transfer among a Party and its Related Parties, but in such cases the royalty shall be due and calculated upon such Party's or its Related Party's Net Sales to the first independent Third Party;

(c) no royalties shall accrue on the sale or other disposition of the Royalty Product by a Party or its Related Parties for use in a clinical study sponsored by such Party or under an IND prior to Regulatory Approval of such Royalty Product in the applicable jurisdiction; and

(d) no royalties shall accrue on the disposition of a Royalty Product in reasonable quantities by a Party or its Related Parties as samples (promotion or otherwise) or as donations (for example, to non-profit institutions for a non-commercial purpose).

Moreover, the Parties acknowledge and agree that nothing in this Agreement (including without limitation any exhibits or attachments hereto) shall be construed as representing an estimate or projection of either (i) the number of Royalty Products that will or may be successfully Developed or Commercialized or (ii)

anticipated sales or the actual value of any Royalty Product, and that the figures set forth in this Article 7 or elsewhere in this Agreement or that have otherwise been discussed by the Parties are merely intended to define a Party's royalty payment obligations to each other in the event such sales performance is achieved.

EXHIBIT 4.21

*Confidential Treatment has been requested for the marked portions of this exhibit pursuant to Rule 24B-2 of the Securities Exchange Act of 1934, as amended.

AMENDMENT NO. 2 TO THE AMENDED AND RESTATED LICENSE AGREEMENT

This AMENDMENT NO. 2 TO THE AMENDED AND RESTATED LICENSE AGREEMENT (this "**Amendment No. 2**") is made effective as of *"September 20"*, 2010 (the "**Amendment No. 2 Effective Date**") by and between TEKMIRA PHARMACEUTICALS CORPORATION (formerly INEX PHARMACEUTICALS CORPORATION), a company duly incorporated under the laws of British Columbia having an office at #100 – 8900 Glenlyon Parkway, Burnaby, British Columbia, Canada V5J 5J8 ("**Tekmira**") and HANA BIOSCIENCES, INC., a company duly incorporated under the laws of Delaware having an office at 7000 Shoreline Court, Suite 370, South San Francisco, CA 94080, U.S.A. ("**Hana**") (each of HANA and TEKMIRA a "**Party**," and collectively, the "**Parties**").

BACKGROUND

A. Hana and Tekmira have entered into (i) that certain Amended and Restated License Agreement by and between the Parties effective as of April 30, 2007, as amended by Amendment No. 1 to the Amended and Restated Agreement dated May 27, 2009 (collectively, the "**Restated License Agreement**") and (ii) that certain Sublicense Agreement dated May 6, 2006 (the "**Sublicense Agreement**").

B. Under an agreement with Tekmira, certain third parties (the "**Noteholders**") are entitled to receive payments from Tekmira based on Hana's payments to Tekmira under the Restated License Agreement and the Sublicense Agreement. Tekmira anticipates executing a waiver and release (the "**Waiver and Release**") with each of the Noteholders under which Tekmira will make a payment to each Noteholder in settlement of its obligations to make such payments, and each Noteholder will waive and release Tekmira of all obligations to make such payments.

C. The Parties wish to enter into an amendment to the Restated License Agreement and an amendment and restatement of the Sublicense Agreement in order to amend and restate, as applicable, certain rights and obligations in each of those agreements, including, without limitation to modify certain milestone and royalty payments.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Definitions. All capitalized terms not defined in this Amendment No. 2 shall have the meanings given to them in the Restated License Agreement.

2. Defined Terms.

2.1 Section 1.1.4 of the Restated License Agreement is amended in its entirety to read as follows:

"1.1.4 "**Agreement**" means the Restated License Agreement, all amendments and supplements to the Restated License Agreement (including, without limitation, Amendment No. 1 to the Amended and Restated Agreement and this Amendment No. 2) and all exhibits and schedules to the foregoing."

3. Sphingosomal Vincristine.

3.1 Section 3.1.1 of the Restated License Agreement is amended in its entirety (including the deletion of the subsections) to read as follows:

"3.1.1 Milestone Payments

Hana shall pay to Tekmira [*] by wire transfer of immediately available funds via the Federal Reserve Wire Transfer System to an account specified by Tekmira within sixty (60) days following the first to occur of (i) Hana's receipt of the approval of the FDA of the Sphingosomal Vincristine NDA or (ii) Hana's receipt of the approval in any of the Designated EU States of a Regulatory Submission equivalent to a Sphingosomal Vincristine NDA."

3.2 Section 3.1.2 of the Restated License Agreement is amended in its entirety to read as follows:

"3.1.2 Royalties

Hana shall pay to Tekmira royalty payments based on Net Sales of Sphingosomal Vincristine as follows:

(a) With respect to Net Sales made by of Hana and/or its Affiliates only (the "**Hana Net Sales**") of Sphingosomal Vincristine, a royalty no greater than [*] of Hana Net Sales comprised of the sum of one or more of the following percentages: (i) [*] of Hana Net Sales in consideration of Patents if the Product sold is embraced within any Valid Claim under the Patents in the country where the Product was sold; (ii) [*] of Hana Net Sales in consideration of, and during any period of Product exclusivity provided by the laws of the country where the Product was sold, including but not limited to marketing exclusivity in the form of data exclusivity, pediatric exclusivity, and orphan drug designation exclusivity; and (iii) [*] of Hana Net Sales in consideration of Technology; and

(b) [Intentionally deleted]

(c) With respect to Net Sales made by Hana's Licensees and Sublicensees only (the "**Licensee/Sublicensee Net Sales**") of Sphingosomal

Vincristine, a royalty equal to the lesser of (1) [*] of the royalty received by Hana on Licensee/Sublicensee Net Sales pursuant to a License Agreement and/or Sublicense, as applicable, and (2) the royalty rate set forth in Section 3.1.2(a) above with respect to Hana Net Sales as applied to Licensee/Sublicensee Net Sales of Sphingosomal Vincristine.

(d) [Intentionally deleted]"

4. Sphingosomal Vinorelbine.

4.1 Section 3.2.2 of the Restated License Agreement is amended in its entirety to read as follows:

"3.2.2 Royalties

Hana shall pay to Tekmira royalty payments based on cumulative Net Sales of Sphingosomal Vinorelbine as follows:

(a) With respect to Hana Net Sales of Sphingosomal Vinorelbine in the United States, a royalty no greater than [*] of Hana Net Sales comprised of the sum or one or more of the following percentages: (i) [*] of Hana Net Sales in consideration of Patents if the Product sold is embraced within any Valid Claim under the Patents in the United States; (ii) [*] of Hana Net Sales in consideration of, and during any period of Product exclusivity provided by the laws of the United States of America, including but not limited to marketing exclusivity in the form of data exclusivity, pediatric exclusivity, and orphan drug designation exclusivity; and (iii) [*] of Hana Net Sales in consideration of Technology; provided, however, that the total royalty paid shall be limited to [*] on that portion of cumulative Hana Net Sales up to [*], and limited to [*] on that portion of cumulative Hana Net Sales in excess of [*];

(b) With respect to Hana Net Sales of Sphingosomal Vinorelbine in each country of the Territory other than the United States, a royalty of [*] of Hana Net Sales in consideration of Patents and Technology; provided, however, that the total royalty paid shall be limited to [*] on that portion of cumulative Hana Net Sales up to [*], and increased to [*] on that portion of cumulative Hana Net Sales in excess of [*];

(c) With respect to Licensee/Sublicensee Net Sales of Sphingosomal Vinorelbine in the United States, a royalty equal to the lesser of (1) [*] of the royalty received by Hana on Licensee/Sublicensee Net Sales in the United States pursuant to a License Agreement and/or Sublicense, as applicable, and (2) the royalty rate set forth in Section 3.2.2(a) above with respect to Hana Net Sales in the United States as applied to Licensee/Sublicensee Net Sales of Sphingosomal Vinorelbine in the United States; and

(d) With respect to Licensee/Sublicensee Net Sales of Sphingosomal Vinorelbine in each country of the Territory other than the United States, a royalty equal to the lesser of (1) [*] of the royalty received by Hana on Licensee/Sublicensee Net Sales pursuant to a License Agreement and/or Sublicense, as applicable, in each country of the Territory other than the United States, and (2) the royalty rate set forth in Section 3.2.2(b) above with respect to Hana Net Sales in each country of the Territory other than the United States as applied to Licensee/Sublicensee Net Sales of Sphingosomal Vinorelbine in each country of the Territory other than the United States."

5. Sphingosomal Topotecan.

5.1 Section 3.3.2 of the Restated License Agreement is amended in its entirety to read as follows:

"3.3.2 Royalties

Hana shall pay to Tekmira royalty payments based on cumulative Net Sales of Sphingosomal Topotecan as follows:

(a) With respect to Hana Net Sales of Sphingosomal Topotecan in the United States, a royalty no greater than [*] of Hana Net Sales comprised of the sum or one or more of the following percentages: (i) [*] of Hana Net Sales in consideration of Patents if the Product sold is embraced within any Valid Claim under the Patents in the United States; (ii) [*] of Hana Net Sales in consideration of, and during any period of Product exclusivity provided by the laws of the United States of America, including but not limited to marketing exclusivity in the form of data exclusivity, pediatric exclusivity, and orphan drug designation exclusivity; and (iii) [*] of Hana Net Sales in consideration of Technology; provided, however, that the total royalty paid shall be limited to [*] on that portion of cumulative Hana Net Sales up to [*], and limited to [*] on that portion of cumulative Hana Net Sales in excess of [*];

(b) With respect to Hana Net Sales of Sphingosomal Topotecan in each country of the Territory other than the United States, a royalty of [*] of Hana Net Sales in consideration of Patents and Technology; provided, however, that the total royalty paid shall be limited to [*] on that portion of cumulative Hana Net Sales up to [*], and increased to [*] on that portion of cumulative Hana Net Sales in excess of [*];

(c) With respect to Licensee/Sublicensee Net Sales of Sphingosomal Topotecan in the United States, a royalty equal to the lesser of (1) [*] of the royalty received by Hana on Licensee/Sublicensee Net Sales in the United States pursuant to a License Agreement and/or Sublicense, as

applicable, and (2) the royalty rate set forth in Section 3.3.2(a) above with respect to Hana Net Sales in the United States as applied to Licensee/Sublicensee Net Sales of Sphingosomal Topotecan in the United States; and

(d) With respect to Licensee/Sublicensee Net Sales of Sphingosomal Topotecan in each country of the Territory other than the United States, a royalty equal to the lesser of (1) [*] of the royalty received by Hana on Licensee/Sublicensee Net Sales pursuant to a License Agreement and/or Sublicense, as applicable, in each country of the Territory other than the United States, and (2) the royalty rate set forth in Section 3.3.2(b) above with respect to Hana Net Sales in each country of the Territory other than the United States as applied to Licensee/Sublicensee Net Sales of Sphingosomal Topotecan in each country of the Territory other than the United States."

6. Consideration. In consideration for Tekmira amending the royalty and milestone payments above, within fifteen (15) days of the execution of this Amendment No. 2, Hana will pay Tekmira US $5,750,000 (the "**Settlement Amount**") by wire transfer of immediately available funds via the Federal Reserve Wire Transfer System to an account specified by Tekmira. Tekmira will use the Settlement Amount only to pay the Noteholders amounts due under the Waiver and Release. Failure by Hana to pay any part or whole of the Settlement Amount within this fifteen (15) day period shall render this Amendment No. 2 null and void. Failure by Tekmira to pay any part or whole of the Settlement Agreement to the Noteholders within a fifteen (15) day period after receipt of the Settlement Amount from Hana shall give Hana the option to terminate this Amendment No. 2 and, if Hana elects to terminate, Tekmira will immediately refund to Hana all amounts previously paid to Tekmira under this Amendment No. 2.

7. Further Assurances. The Parties will promptly execute and deliver such further documents and take such action as may from time to time be required in order to carry out the intent and purpose of this Amendment No. 2, including, without limitation:

7.1 in the event that any Noteholder(s) do not execute the Waiver and Release, the Parties will negotiate and execute an amendment to the terms and conditions of this Amendment No. 2 to account for the non-participation of such Noteholder in the settlement provided in the Waiver and Release; and

7.2 within ninety (90) days following the Amendment No. 2 Effective Date, the Parties will:

(i) negotiate amendments to the Sublicense Agreement solely to incorporate the relevant terms of Amendment No. 1 and this Amendment No. 2;

(ii) negotiate and execute a consent agreement with the University of British Columbia (the "**UBC Consent**") in respect of such amendments; and

(iii) execute an Amended and Restated Sublicense Agreement embodying such amendments (the "**Amended and Restated Sublicense Agreement**").

Neither Party shall do any act or thing or cause any act or thing to be done, the effect of which would be to compromise the intent and fulfillment of this Amendment No. 2.

8. Miscellaneous. Except as specifically modified or amended hereby, the Restated License Agreement shall remain in full force and effect and, as modified or amended, is hereby ratified, confirmed and approved. Notwithstanding the foregoing, to the extent any terms of this Amendment No. 2 conflict with the terms of the Restated License Agreement, the terms of this Amendment No. 2 shall govern. No provision of this Amendment No. 2 may be modified or amended except expressly in a writing signed by both Parties nor shall any terms be waived except expressly in a writing signed by the Party charged therewith.

9. Execution in Counterparts. This Amendment No. 2 may be executed in counterparts, including facsimile counterparts, each of which shall be deemed an original and together which shall constitute one and the same document.

<Signature page follows>

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 2 in duplicate originals by their duly authorized representatives as of the Amendment No. 2 Effective Date.

HANA BIOSCIENCES, INC.

By: *"signed"*

Name: *"Steven R. Deitcher"*

Title: *"President & CEO"*

TEKMIRA PHARMACEUTICALS CORPORATION

By: *"signed"*

Name: *"Ian Mortimer"*

Title: *"CFO"*

Exhibit 8.1

Tekmira Pharmaceuticals Corporation

List of Subsidiaries

Name	Jurisdiction
Protiva Biotherapeutics Inc.	Canada
Protiva Biotherapeutics (USA), Inc.	United States of America

Exhibit 12.1

SECTION 302 CERTIFICATION

I, Mark J. Murray, certify that:

1. I have reviewed this annual report on Form 20-F (this "Report") of Tekmira Pharmaceuticals Corporation (the "Company");

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the Company and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

    (b) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

    (c) Disclosed in this Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: June 3, 2011

/s/ Mark J. Murray

Name: Mark J. Murray

Title: Chief Executive Officer

Exhibit 12.2

SECTION 302 CERTIFICATION

I, Ian C. Mortimer, certify that:

1. I have reviewed this annual report on Form 20-F (the "Report") of Tekmira Pharmaceuticals Corporation (the "Company");

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the Company and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

    (b) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

    (c) Disclosed in this Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: June 3, 2011

/s/ Ian C. Mortimer

Name: Ian C. Mortimer

Title: Chief Financial Officer

Exhibit 13.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of Tekmira Pharmaceuticals Corporation (the "Company") for the period ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that to their knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 3, 2011

/s/ Mark J. Murray

Name: Mark J. Murray

Title: Chief Executive Officer

/s/ Ian C. Mortimer

Name: Ian C. Mortimer

Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

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Internet www.kpmg.ca

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Tekmira Pharmaceuticals Corporation

We consent to the incorporation by reference in the registration statement (no. 333-169311) on Form F-10 of Tekmira Pharmaceuticals Corporation of our report dated March 30, 2011, except for notes 14 (b) and (c), which are as of June 3, 2011 with respect to the consolidated balance sheets of Tekmira Pharmaceuticals Corporation as of December 31, 2010 and 2009, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010, which report appears in the December 31, 2010 annual report on Form 20-F of Tekmira Pharmaceuticals Corporation.

/s/ KPMG LLP

Chartered Accountants

Vancouver, Canada
June 3, 2011