Tekmira Pharmaceuticals Releases First Quarter 2007 Operating Results

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Vancouver, BC – Tekmira Pharmaceuticals Corporation ("Tekmira"; TSX:TKM) reported today in its First Quarter 2007 operating results that its spin-off from Inex Pharmaceuticals Corporation ("INEX") was successfully completed May 1, 2007 and the Company remains on track to complete all its 2007 drug development milestones.

Tim Ruane, President and CEO of Tekmira, said key achievements during the First Quarter included:

- Expansion of a 2006 partnership with Alnylam Pharmaceuticals, Inc. (Nasdaq: ALNY), a leader in RNA interference (RNAi) therapeutics, the technology for which the 2006 Nobel Prize for medicine was awarded;
- Completion of a $16 million equity financing; and
- Allowance from the United States Patent and Trademark Office of intellectual property covering Tekmira's drug delivery technology and nucleic acids, including oligonucleotides and double-stranded RNAs.

Tekmira's partnership with Alnylam is developing drugs that consist of Alnylam's proprietary RNAi therapeutics encapsulated in Tekmira's proprietary liposome drug delivery technology. The partnership brought Tekmira US$17 million in committed funding and a license to develop three drugs that use Alnylam's RNAi gene silencing technology and to develop immune stimulatory drugs using Alnylam's RNA technology. The deal also provides for milestone payments to Tekmira of up to US$13 million for each product developed under the alliance, plus royalties on sales of the products.

"The Alnylam partnership establishes Tekmira as a Canadian leader in the new RNAi therapeutics field with full rights to develop its own products based on this technology," said Ruane.

"The proceeds from the financing, together with the committed funding from pharmaceutical partnerships, enable Tekmira to execute our business plan for the next two to three years."

"The allowance from the U.S. patent office confirms that Tekmira has a leading patent position in the industry related to using liposomes to deliver oligonucleotides, including RNAi therapeutics," Ruane said. "This intellectual property position is an important strategic component of our partnership with Alnylam Pharmaceuticals."

Subsequent events

Subsequent to the end of the First Quarter, Tekmira has announced two significant achievements.

On April 17, Alnylam Pharmaceuticals announced that it will advance a systemically delivered RNAi therapeutic, ALN-VSP01, for the treatment of liver cancer and potentially other solid tumors. ALN-VSP01 is a combination of two small interfering RNA (siRNA) molecules, the molecules that mediate RNAi, and Tekmira's liposomal drug delivery technology. ALN-VSP01 is the second Alnylam development program to utilize lipid-based delivery technology.

Tekmira will manufacture ALN-VSP01 in preparation for Alnylam conducting toxicology studies. Tekmira will also be eligible to receive milestone payments as ALN-VSP01 is developed and royalties on product sales.

On May 1, Tekmira announced that its spin-out from INEX was completed and that its common shares had begun trading on the Toronto Stock Exchange.

Milestones

Three products using Tekmira's proprietary technology are now in human clinical trials and as many as eight such products could be in clinical trials in 2008.

Over the next 12-18 months, the Company expects the following milestones to be achieved for products using Tekmira's proprietary technology:

- Commencement by Tekmira partner Hana Biosciences Inc. (Nasdaq: HNAB) of a Phase 2 clinical trial to evaluate Marqibo® as a treatment for relapsed acute lymphoblastic leukemia.
- Completion by Hana of a Phase 1 clinical trial evaluating cancer drug INX-0125.
- Commencement by Hana of a Phase 1 clinical trial evaluating cancer drug INX-0076.
- Commencement by Hana of a Phase 3 clinical trial to evaluate Marqibo® as a treatment for front-line acute lymphoblastic leukemia.
- Continuation of toxicology and other studies in preparation for filing by Tekmira in 2008 of an investigational new drug (IND) application for approval to evaluate INX-0167 in clinical trials. Tekmira is developing INX-0167 to stimulate the immune system to treat cancer.
- Filing of an IND by Alnylam for approval to begin clinical trials for PCS-01, a small interfering RNA (siRNA) gene-silencing product targeting hypercholesterolemia.
- Filing of an IND by Alnylam for approval to begin clinical trials for ALN-VSP01, a siRNA gene-silencing product targeting liver cancer and, potentially, other solid tumours.
- Announcement of a gene target for the first of Tekmira's three siRNA gene silencing products included in the Alnylam partnership.

FINANCIAL RESULTS

Restructuring of Inex – Transfer of Business to Tekmira

On April 30, 2007, INEX completed a Plan of Arrangement for spinning out its wholly-owned subsidiary, Tekmira. Under the Plan of Arrangement,

- all of the INEX's business, assets and liabilities and contractual arrangements, including all cash and cash equivalents, all intellectual property, products, technology and the partnership arrangements, were transferred to Tekmira, and
- all outstanding shares of Tekmira were distributed to INEX shareholders.

As INEX and Tekmira remain under common control, the assets and liabilities were transferred at their carrying values using the continuity-of-interests method of accounting. For future reporting purposes, Tekmira will be considered to have continued INEX's pharmaceutical business and will include the historical operating results of INEX.

The following discussion and analysis is prepared based on the operating history of INEX before the completion of the Plan of Arrangement. After April 30, 2007, INEX had no business and no material assets and references to operations after that time are to the continued operations by Tekmira.

Overview / For the three months ended March 31, 2007, net income was $0.7 million ($0.02 per common share) as compared to a net loss of $3.9 million ($0.10 per common share) for comparable period in 2006. Revenue from current collaborative partnerships with Alnylam and Hana was the greatest factor in this change.

Revenue / Revenue from research and development collaborations, licensing fees and milestone payments was $2.9 million for the first quarter of 2007 as compared to $0.01 million for the first quarter of 2006. Revenue arises from licensing and collaboration payments from partnerships with Alnylam and Hana that began on March 25, 2006 and May 6, 2006 respectively.

Revenue is detailed in the following table:

(in millions Cdn$)	**Three months ended March 31, 2007**	March 31, 2006
Research and development collaborations		
Alnylam	**$ 0.5**	$ -
Hana	**0.2**	-
Total research and development collaborations	**$ 0.7**	$ -
Licensing fees and milestone payments		
Alnylam licensing fees:		
2006 licensing options amortization	**$ 0.1**	$ 0.01
Up-front payment amortization	**1.1**	-
Hana up-front licensing fee amortization	**1.0**	-
Total licensing fees and milestone payments	**$ 2.2**	$ 0.01

Alnylam revenue / On March 25, 2006, the Company signed an exclusive research collaboration agreement with Alnylam to evaluate Alnylam's RNAi therapeutics with the Company's systemic lipid-based technology. As at March 31, 2006, work had not begun on the collaboration so no collaboration revenue was recognized. On January 8, 2007, the Company entered into a licensing and expanded collaboration agreement with Alnylam. The financial terms of the agreement include a minimum of US$2.0 million in research and development collaboration funding in both 2007 and 2008 and this revenue is being recognized based on the time spent by our scientific staff on Alnylam research and development projects.

Under the agreement, the Company is also providing contract manufacturing services to Alnylam. Costs incurred in providing manufacturing services are being recorded as inventory. Revenue from manufacturing services will be recognized when Alnylam accepts each production batch and related expenses will be recorded at that time.

Under the March 25, 2006 agreement with Alnylam, they paid $0.1 million for a three month licensing option of which $0.01 million was amortized to licensing fees and milestone payments in the first quarter of 2006. In the first quarter of 2007, the Company recognized $0.1 million in previously deferred revenue relating to further licensing options acquired by Alnylam in 2006 and exercised by Alnylam when the January 8, 2007 agreement was signed. Deferred revenue in respect of options acquired by Alnylam in 2006 is now being amortized until December 31, 2008, which is the period that the Company expects to provide research support under the collaboration with Alnylam.

Under the January 8, 2007 agreement with Alnylam, the Company received an up-front licensing payment of $9.4 million (US$8.0 million) which is being amortized to revenue on a straight-line basis over the period ending December 31, 2008 which is the period that the Company expects to provide research support under the collaboration. As a result, $1.1 million of the Alnylam up-front payment is included in licensing fees and milestone payments revenue in the first quarter of 2007.

Hana revenue / On May 6, 2006, the Company signed a number of agreements with Hana including an agreement to issue worldwide licenses (the “License Agreement”) for three targeted chemotherapy products, Marqibo, INX-0125 and INX-0076. Under the License Agreement, Hana paid a non-refundable up-front cash payment of $1.7 million (US$1.5 million) and issued the Company 1,118,568 Hana shares (together the “Up-front Payments”). The value of the Hana shares on May 6, 2006, based on a share price of $12.34 (US$11.15) was $13.8 million (US$12.5 million) giving a total of $15.5 million (US$14.0 million) in Up-front Payments. Also on May 6, 2006, the Company signed an asset transfer agreement with Hana to transfer certain of its surplus laboratory equipment as part consideration for the Up-front Payments from Hana. The net book value of the assets transferred under this agreement was $0.2 million.

Effective April 3, 2006, the Company signed a Service Agreement under which Hana is reimbursing the Company for expenses and time spent in maintaining and transferring the technology and product expertise related to the three targeted chemotherapy products. Revenue from the Service Agreement is recorded as research and development collaboration revenue and amounted to $0.2 million in the first quarter of 2007.

In accordance with the Company’s revenue recognition policy, $15.3 million of the Up-front Payments was deferred and was initially being amortized on a straight line basis from April 3, 2006 to December 31, 2006 by which time the Company had expected to deliver substantially all of its services under the Service Agreement. After reviewing the delivery of services to Hana in the fourth quarter of 2006, the Company now expects to deliver substantially all of its services by the end of 2007 so has extended the amortization of the Up-front Payments, effective October 1, 2006, to December 31, 2007. As a result, $1.0 million of the Hana Up-front Payments is included in licensing fees and milestone payments revenue in the first quarter of 2007 and $3.1 million of the Up-front Payments is included in the March 31, 2007 balance sheet as deferred revenue.

Under the License Agreement the Company could receive up to an additional US$29.5 million in cash or Hana shares for development and regulatory milestones and will also receive royalties on product sales.

Under an agreement with certain former noteholders, the Up-front Payments from Hana and the $1.1 million (US$1.0 million) milestone payment less a payment of $0.2 million (US$0.2 million) to the University of British Columbia, have been transferred to the former noteholders. the Company has agreed to pay certain of the future contingent Hana milestones and royalties to the former noteholders.

Expenses / Research and development / Research and development expenses decreased to $1.2 million for the first quarter of 2007 as compared to $1.3 million for first quarter of 2006. This decrease of $0.1 million relates primarily to a reduction in salary expense as fewer options were issued in the first quarter of 2007 as compared to the first quarter of 2006. Internal research and development staff was 28 at March 31, 2007 (total staff 39) as compared to 17 (total staff 27) at March 31, 2006. The increase in staff numbers occurred towards the end of the first quarter of 2007 so had little impact on salary expense for the quarter.

General and administrative / General and administrative expenses were $0.9 million for the first quarter of 2007 as compared to $1.1 million for first quarter of 2006. The first quarter of 2006 includes Hana partnering professional fees that largely explain the $0.2 million higher general and administrative expenses in that period.

Amortization / Amortization expense was $0.1 million for the first quarter of 2007 as compared to $0.4 million for first quarter of 2006. The decrease in amortization of $0.3 million is primarily due to the full impairment of all of capitalized medical technology following the licensing of the Company's targeted chemotherapy technology to Hana on May 6, 2006 and hence no medical technology amortization expense thereafter.

Other Income/Losses / Interest income / Interest income was $0.2 million for the first quarter of 2007 as compared to $0.1 million for first quarter of 2006. The increase of $0.1 million is a result of an increase in the average balance of cash and cash equivalents held in the first quarter of 2007 as compared to the first quarter of 2006 and higher average interest rates in the first quarter of 2007. In the future interest income will continue to fluctuate in relation to cash balances and interest yields.

Interest on exchangeable and development notes / Interest expense on the US dollar denominated exchangeable and development notes (the "Notes") was nil for the first quarter of 2007 as compared to $1.0 million in the first quarter of 2006. On June 20, 2006, the Company signed a Purchase and Settlement Agreement with the holders of the Notes and no interest is chargeable after that date.

Foreign exchange and other gains (losses) / Foreign exchange and other gains (losses) showed losses $0.2 million in the first quarter of 2007 as compared to losses of $0.2 million in the first quarter of 2006. Foreign exchange and other gains (losses) in the first quarter of 2006 relate primarily to a foreign exchange loss on the US dollar denominated exchangeable and development notes outstanding at that time. Foreign exchange losses in the first quarter of 2007 relate largely to the adverse effect of fluctuations in the Canada/US dollar exchange rates on the Company's US denominated cash investments. Exchange rate fluctuations will

continue to create gains or losses as the Company expects to continue holding US denominated cash investments, accounts receivable and accounts payable.

Capital expenditures / Capital expenditures were $0.39 million in the first quarter of 2007 and $0.02 million in the first quarter of 2006. In the first quarter of 2007 the Company purchased laboratory and manufacturing equipment for both internal use and to support the Alnylam collaboration.

RISKS AND UNCERTAINTIES

INEX's risks and uncertainties prior to completion of the Plan of Arrangement on April 30, 2007, are discussed in further detail in INEX's Annual Information Form which can be found at www.sedar.com. As a result of the completion of the Plan of Arrangement, INEX's business and the associated risks and uncertainties have been transferred to Tekmira. After completion of the Plan of Arrangement, INEX has no business to carry on and may not be successful in raising sufficient capital to complete planned acquisitions.

FINANCIALS

Consolidated Balance Sheets

(Expressed in Canadian Dollars)		March 31 2007		December 31 2006
		Unaudited		
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**27,475,640**	$	5,670,748
Accounts receivable		**1,020,373**		704,663
Inventory		**230,563**		-
Prepaid expenses and other assets		**217,953**		76,050
Total current assets		**28,944,529**		6,451,461
Property and equipment		**865,660**		582,503
	$	**29,810,189**	$	7,033,964
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**2,447,504**	$	1,763,523
Current portion of obligations under capital leases		**95,721**		96,855
Current portion of deferred lease inducements		**99,593**		134,777
Current portion of deferred revenue		**7,699,213**		4,781,798
Total current liabilities		**10,342,031**		6,776,953
Obligations under capital leases		**53,334**		75,728
Deferred revenue		**3,455,262**		-
Total liabilities		**13,850,627**		6,852,681
Shareholders' equity:				
Share capital		**195,340,393**		180,237,917
Additional paid-in capital		**15,175,818**		15,211,567
Deficit		**(194,556,649)**		(195,268,201)
Total shareholders' equity		**15,959,562**		181,283
	$	**29,810,189**	$	7,033,964

Consolidated Statements of Operations, Comprehensive Income and Deficit

(Expressed in Canadian Dollars)	Three months ended March 31 2007 Unaudited	March 31 2006 Unaudited
Revenue		
Research and development collaborations	**$ 662,420**	$ -
Licensing fees and milestone payments	**2,210,158**	11,356
	2,872,578	11,356
Expenses		
Research, development and collaborations	**1,162,802**	1,271,909
General and administrative	**900,018**	1,144,950
Amortization	**106,332**	433,383
	2,169,152	2,850,242
Income (Loss) from operations	**703,426**	(2,838,886)
Interest income	**175,029**	96,360
Interest on exchangeable and development notes	**-**	(991,535)
Foreign exchange and other gains and losses	**(166,903)**	(170,899)
Net income (loss)	**$ 711,552**	$ (3,904,960)
Deficit, Beginning of period	**(195,268,201)**	(222,286,238)
Deficit, End of period	**$ (194,556,649)**	$ (226,191,198)
Weighted average number of common shares		
Basic	**43,319,320**	38,566,788
Diluted	**44,992,283**	38,566,788
Income (Loss) per common share		
Basic	**$ 0.02**	$ (0.10)
Diluted	**$ 0.02**	$ (0.10)

Consolidated Statements of Cash Flow (Unaudited)

(Expressed in Canadian Dollars)

	Three months ended	
	March 31 2007	March 31 2006
OPERATIONS		
Income (Loss) for the period	**$ 711,552**	$ (3,904,960)
Items not involving cash:		
Amortization of property and equipment	**106,332**	193,552
Amortization of medical technology	**-**	239,840
Amortization of deferred lease inducements	**(35,184)**	(35,184)
Interest on exchangeable and development notes	**-**	991,535
Unrealized foreign exchange loss on exchangeable and development notes	**-**	179,446
Stock-based compensation expense	**55,121**	229,736
Gain from sale of property and equipment	**-**	(10,948)
Change in deferred revenue	**6,372,677**	-
Net change in non-cash working capital	**(4,195)**	(1,114,420)
	7,206,303	(3,231,403)
INVESTMENTS		
Proceeds from sale of property and equipment	**-**	16,492
Acquisition of property and equipment	**(389,489)**	(18,993)
	(389,489)	(2,501)
FINANCING		
Issuance of common share pursuant to:		
Bought deal, net of issue costs	**14,917,150**	-
Exercise of options	**94,456**	-
Repayment of obligations under capital leases	**(23,528)**	(48,121)
	14,988,078	(48,121)
Increase (decrease) in cash and cash equivalents	**21,804,892**	(3,282,025)
Cash and cash equivalents, beginning of period	**5,670,748**	12,173,022
Cash and cash equivalents, end of period	**$ 27,475,640**	$ 8,890,997

About Tekmira

Tekmira Pharmaceuticals Corporation is a Canadian biopharmaceutical company developing and commercializing proprietary drugs and drug delivery systems to improve the treatment of cancer. Further information about Tekmira and this news release can be found at www.tekmirapharm.com.

Forward Looking Statements

There are forward-looking statements and information contained herein that are not based on historical fact, including without limitation statements containing the words "believes," "may," "plans," "will," "estimate," "continue," "anticipates," "intends," "expects," and similar expressions, and the negative of such expressions. Such forward-looking statements and information involve known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements and information. Such factors include, among others, Tekmira's stage of development, lack of product revenues, additional capital requirements, risks associated with the completion of clinical trials and obtaining regulatory approval to market Tekmira's products, the ability to protect its intellectual property and dependence on collaborative partners. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements or information. Tekmira disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements or information contained herein to reflect future results, events or developments, except as required by law.

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The common shares of Tekmira are traded on the Toronto Stock Exchange under the trading symbol "TKM".