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As filed with the Securities and Exchange Commission on June 2, 2010

Registration No. 333-165922

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

AMENDMENT NO. 1
TO
FORM F-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

LORUS THERAPEUTICS INC.
(Exact name of Registrant as specified in its charter)

Canada	**2836**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

2 Meridian Road, Toronto, Ontario, Canada M9W 4Z7; telephone (416) 798-1200
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

DL Services Inc., 701 Fifth Avenue, Suite 6100, Seattle, Washington 98104; telephone (206) 903-5448
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Elizabeth Williams **Lorus Therapeutics Inc.** **2 Meridian Road** **Toronto, Ontario** **Canada M9W 4Z7** **(416) 798-1200**	**Daniel M. Miller** **Dorsey & Whitney LLP** **Suite 1605, Pacific Centre** **777 Dunsmuir Street** **Vancouver, British Columbia** **Canada V7Y 1K4** **(604) 687-5151**	**Vanessa Grant** **McCarthy Tétrault LLP** **Suite 5300, TD Bank Tower** **Toronto Dominion Centre** **Toronto, Ontario M5K 1E6** **(416) 601-7525**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration agreement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Amount to be registered**	**Proposed maximum offering price per share**	**Proposed maximum aggregate offering price**	**Amount of registration fee**
Common Shares(1)	—	—	—	—
Warrants(1)	—	—	—	—
Units	—	—	US$17,500,000(2)	US$1,248
Total	**—**	**—**	**US$17,500,000(2)**	**US$1,248(3)**

(1) Common shares and warrants will be issued as units, with each unit consisting of one common share of the Registrant and one half of one common share purchase warrant of the Registrant. Each whole common share purchase warrant of the Registrant will entitle the holder to purchase an additional common share of the Registrant in accordance with the terms and conditions of the common share purchase warrants. The common shares issuable upon exercise of the warrants are also being registered hereunder.

(2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457 of the Securities Act of 1933.

(3) Previously paid.

(4) Pursuant to Rule 416(a) under the Securities Act of 1933, there is also being registered such indeterminate number of additional common shares as may be issued from time to time with respect to shares being registered hereunder as a result of stock splits, stock dividends or similar transactions.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 2, 2010

LORUS THERAPEUTICS INC.

Up to US$17,500,000

Units

We are offering units, with each unit consisting of one common share and one half of one common share purchase warrant. The units will be offered at a price of US$ per unit. Each whole warrant will entitle the holder to purchase one common share at any time beginning on the closing date of the offering until 5:00 p.m. (Eastern time) on the date that is five years following the closing date of the offering. The initial exercise price per common share is US$, representing 125% of the unit offering price. Effective , 2011, the first anniversary of the closing date of the offering, the exercise price will be US$, representing 130% of the unit offering price. Effective , 2012, the second anniversary of the closing date of the offering, the exercise price will be US$, representing 135% of the unit offering price. Effective , 2013, the third anniversary of the closing date of the offering, the exercise price will be US$, representing 140% of the unit offering price. Effective , 2014, the fourth anniversary of the closing date of the offering, the exercise price will be US$, representing 145% of the unit offering price. If at any time following , 2011, the first anniversary of the closing date of the offering, the closing price of our common shares on the principal market upon which our common shares are listed or traded has equaled or exceeded US$, representing 225% of offering price, for five consecutive trading days, we may, within five business days of the fifth consecutive trading day, call the warrants for cancellation by giving not less than 30 days notice to the holders. The warrants will continue to be exercisable following the notice of cancellation until the date of cancellation. The units will not trade separately, they will not be listed on any exchange or quoted on any market and no certificates will be issued evidencing the units. Certificates representing the common shares and the warrants comprising the units will be issued in registered form on the closing date of the offering. We intend to apply to list the common shares included in the units on the Toronto Stock Exchange. Listing will be subject to fulfilling all of the requirements of the Toronto Stock Exchange. We are also registering the common shares issuable upon exercise of the warrants.

Investing in our securities involves risks. You should consider carefully the risk factors described and referred to under the heading "Risk Factors", beginning on page 6 of this prospectus, before investing in our securities.

Global Hunter Securities has agreed to act as our placement agent in the United States in connection with this offering. D&D Securities Inc. has agreed to act as our placement agent in Canada in connection with this offering. We have agreed to pay to the placement agents the placement agents fee set forth in the table below, representing 8% of the gross proceeds of the offering.

Our common shares are traded on the Toronto Stock Exchange under the symbol "LOR". On June 2, 2010, the closing price of our common shares on the Toronto Stock Exchange was $2.51. Our common shares are quoted on the Over-the-Counter Bulletin Board market under the symbol "LRUSF". On June 2, 2010, the closing price of our common shares on the Over-the-Counter Bulletin Board was US$2.35.

Our head and registered offices are located at 2 Meridian Road, Toronto, Ontario, Canada, M9W 4Z7. Our telephone number at that address is (416) 798-1200.

Neither the Securities and Exchange Commission nor any state or other securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Unit	Total
Public Offering Price	US$	US$
Placement Agents Fee(1)	US$	US$
Proceeds to Lorus (before expenses)	US$	US$

(1) Includes a cash fee equal to 8% of the gross proceeds from sales of units. See "Plan of Distribution".

We expect to deliver the units to purchasers on or about , 2010.

Lead Placement Agent

Global Hunter Securities, LLC

Canadian Placement Agent

D&D Securities Inc.

The date of this prospectus is , 2010

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NOTICE TO CALIFORNIA RESIDENTS

To purchase shares in this offering, any investors residing in California must either (A) have a minimum net worth of at least US$75,000 and have had minimum gross income of US$50,000 during the last tax year and have (based on a good faith estimate) minimum gross income of US$50,000 during the current tax year, or (B) have a minimum liquid net worth of US$150,000; provided that in either case the investment shall not exceed 10% of the liquid net worth of the investor. "Liquid net worth" is net worth excluding homes, home furnishings and automobiles. A "small investor" who has not purchased more than US$2,500 worth of our securities in the past 12 months prior to this offering may also purchase Units up to a maximum of US$2,500.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the United States Securities and Exchange Commission. You should read this prospectus together with additional information described under the heading "Documents Incorporated by Reference".

As used in this prospectus, references to "Lorus", "we", "our", "ours", "us" and similar expressions refer to Lorus Therapeutics Inc. and its consolidated subsidiaries, unless otherwise indicated or the context requires otherwise. Furthermore, all of those references, unless otherwise stated, are references to "Old Lorus" (as that term is used in the section of this prospectus entitled "Lorus Therapeutics Inc. — Corporate History") prior to the effective date of the arrangement transaction described in that section of this prospectus, and to "New Lorus" after the effective date of the arrangement.

In addition, references to our "financial statements" are to our consolidated financial statements except as the context otherwise requires.

You should rely only on the information provided in this prospectus and the information incorporated by reference. We have not authorized anyone to provide you with additional or different information. We are not making an offer of these units in any jurisdiction or state where the offer is not permitted. You should not assume that the information in this prospectus or any documents incorporated by reference is accurate as of any date other than the date of the applicable document.

We use the Canadian dollar as our functional and reporting currency. Our consolidated financial statements are presented in Canadian dollars and are prepared in accordance with Canadian generally accepted accounting principles, which differ in certain significant respects from accounting principles generally accepted in the United States. The significant differences between Canadian generally accepted accounting principles and United States generally accepted accounting principles as they relate to our business, including a reconciliation of our audited annual consolidated financial statements for the fiscal years ended May 31, 2009, 2008 and 2007 from Canadian generally accepted accounting principles to United States generally accepted accounting principles, are described in the section entitled "Supplementary Information: Reconciliation of Canadian and United States Generally Accepted Accounting Principles" in our Annual Report on Form 20-F for the fiscal year ended May 31, 2009, which is incorporated by reference into this prospectus.

In addition, a reconciliation to United States generally accepted accounting principles of our unaudited consolidated interim financial statements for the three and nine months ended February 28, 2010 and 2009 is included in Exhibit 99.4 entitled "Supplementary Information: Reconciliation of Canadian and United States Generally Accepted Accounting Principles" to our Report of Foreign Issuer on Form 6-K furnished on April 15, 2010, which is incorporated by reference into this prospectus.

Unless otherwise indicated, all references to our common shares in this prospectus are to common shares outstanding following our one-for-30 share consolidation that became effective on May 25, 2010. See "Summary — Share Consolidation" in this prospectus.

EXCHANGE RATE INFORMATION

In this prospectus, unless otherwise specified, all dollar amounts are expressed in Canadian dollars. References in this prospectus to "US$" are to United States dollars. The following table sets forth: (i) the rates of exchange for Canadian dollars, expressed in United States dollars, in effect at the end of the periods indicated; (ii) the average exchange rates in effect during such periods; (iii) the high rate of exchange in effect during such periods; and (iv) the low rate of exchange in effect during such periods, in each case, based on the noon rates of exchange for conversion of one Canadian dollar to United States dollars as reported by the Bank of Canada.

	Years Ended May 31,			Nine Months Ended
	2007	2008	2009	February 28, 2010
Low	0.8437	0.9298	0.7692	0.8580
High	0.9347	1.0905	1.0058	0.9755
Average	0.8800	0.9860	0.8649	0.9285
End	0.9347	1.0058	0.9123	0.9500

On June 2, 2010, the inverse of the noon exchange rate quoted by the Bank of Canada for Canadian dollars as expressed in United States dollars was $1.00 = US$0.9612.

FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference into this prospectus contain forward-looking statements and information. These statements and information include, but are not limited to, statements and information relating to:

- our ability to obtain the substantial capital required to fund research and operations;
- our plans to obtain partners to assist in the further development of our product candidates;
- our expectations with respect to existing and future corporate alliances and licensing transactions with third parties, and the receipt and timing of any payments to be made by us or to us in respect of such arrangements;
- our expectations regarding future financings;
- our plans to conduct clinical trials and pre-clinical programs;
- the length of clinical trials;
- the partnering potential of our products;
- our business strategy;
- our expectations regarding the progress and the successful and timely completion of the various stages of our drug discovery, pre-clinical and clinical studies and the regulatory approval process;
- our use of proceeds of the offering;
- our plans, objectives, expectations and intentions; and
- other statements including words such as "anticipate", "contemplate", "continue", "believe", "plan", "estimate", "expect", "intend", "will", "should", "may", and other similar expressions.

The forward-looking statements reflect our current views with respect to future events, are subject to risks and uncertainties, and are based upon a number of estimates and assumptions that, while considered reasonable by us, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including, among others:

- our ability to continue to operate as a going concern;
- our ability to obtain the substantial capital required to fund research and operations;
- our lack of product revenues and history of operating losses;
- our early stage of development, particularly the inherent risks and uncertainties associated with (i) developing new drug candidates generally, (ii) demonstrating the safety and efficacy of these drug candidates in clinical studies in humans, and (iii) obtaining regulatory approval to commercialize these drug candidates;
- our ability to recruit patients for clinical trials;
- the progress of our clinical trials;
- our liability associated with the indemnification of Old Lorus and its directors, officers and employees in respect of the arrangement described in "Summary — Corporate History";
- our ability to find and enter into agreements with potential partners;

- our drug candidates require time-consuming and costly preclinical and clinical testing and regulatory approvals before commercialization;
- clinical studies and regulatory approvals of our drug candidates are subject to delays, and may not be completed or granted on expected timetables, if at all, and such delays may increase our costs and could delay our ability to generate revenue;
- the regulatory approval process;
- our ability to attract and retain key personnel;
- our ability to obtain patent protection and protect our intellectual property rights;
- our ability to protect our intellectual property rights and to not infringe on the intellectual property rights of others;
- our ability to comply with applicable governmental regulations and standards;
- development or commercialization of similar products by our competitors, many of which are more established and have or have access to greater financial resources than us;
- commercialization limitations imposed by intellectual property rights owned or controlled by third parties;
- our business is subject to potential product liability and other claims;
- our ability to maintain adequate insurance at acceptable costs;
- further equity financing may substantially dilute the interests of our shareholders;
- changing market conditions; and
- other risks detailed from time-to-time in our on-going quarterly filings, annual information forms, annual reports and annual filings with Canadian securities regulators and the SEC, and those which are discussed under the heading "Risk Factors" in this prospectus and in our Annual Report on Form 20-F for the fiscal year ended May 31, 2009, which is incorporated by reference into this prospectus.

Should one or more of these risks or uncertainties materialize, or should the assumptions described in the sections entitled "Risk Factors" in this prospectus and in our Annual Report on Form 20-F for the fiscal year ended May 31, 2009 underlying those forward-looking statements prove incorrect, actual results may vary materially from those described in the forward-looking statements. These forward-looking statements are made as of the date of this prospectus or, in the case of documents incorporated by reference into this prospectus, as of the date of those documents, and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by law. We cannot assure you that our forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in the forward-looking statements. Forward-looking statements are not guarantees of future performance, and accordingly undue reliance should not be placed upon forward-looking statements.

SUMMARY

The following is a summary of our business and the principal features of the offering and should be read together with, and is qualified in its entirety by, the more detailed information and financial data and statements contained elsewhere or incorporated by reference in this prospectus. An investment in our securities involves risk. Before you invest in the units, you should carefully consider the risks involved. See "Risk Factors" beginning on page 5 of this prospectus.

Lorus Therapeutics Inc.

Lorus Therapeutics Inc. is a biopharmaceutical company focused on the discovery, research and development of effective anticancer therapies with a high safety profile. Through its own discovery efforts, an acquisition and an in-licensing program, Lorus is building a portfolio of anticancer drug candidates ranging from discovery and preclinical to an advanced Phase II clinical trial.

Lorus has product candidates in three classes of anticancer therapies:

- RNA-targeted (antisense and siRNA) therapies, based on synthetic segments of DNA or RNA designed to bind to the messenger RNA that is responsible for the production of proteins over-expressed in cancer cells;
- small molecule therapies based on anti-angiogenic, anti-proliferative and anti-metastatic agents; and
- immunotherapy, based on activation of host innate immunity.

A growing intellectual property portfolio supports our diverse drug candidate pipeline.

RNA-Targeted Therapies

Lorus' RNA-targeted drug candidates include LOR-2040 and LOR-1284. On November 30, 2009, we reported Phase II clinical results, completed to the end-of-stage assessment time point, of LOR-2040 in combination with cytarabine in relapsed and refractory acute myeloid leukemia (AML) patient population. Based on these data, Lorus is proceeding with an expanded development program. LOR-1284 is in pre-clinical stage of development.

Small Molecule Program

We have small molecule drug candidate screening technologies and preclinical scientific expertise, which we are using to create a drug candidate pipeline. Our proprietary group of small molecule compounds includes our lead drug candidate LOR-253. Our small molecule program is focused on the development potential of LOR-253 as a target specific anticancer agent with a high safety profile.

Immunotherapy

Our immunotherapy product candidate is IL-17E. We also have commercial interest in the product candidate Virulizin™. In June 2009, as part of the consideration for our repurchase of the secured convertible debentures from The Erin Mills Investment Corporation, Lorus assigned to The Erin Mills Investment Corporation its rights under the license agreement with Zor Pharmaceuticals, LLC, and sold to The Erin Mills Investment Corporation its intellectual property rights associated with Virulizin™. In return, Lorus will be entitled to 50% of the deal value of any transaction completed in Zor and non-Zor territories. Interleukin-17E (IL-17E) is a protein-based therapeutic that Lorus is developing as an immunotherapy product candidate for cancer treatment.

Corporate History

Lorus Therapeutics Inc., which we refer to as "Old Lorus" (since completing the plan of arrangement described below), was incorporated under the Business Corporations Act (Ontario) on September 5, 1986 under the name RML Medical Laboratories Inc. On October 28, 1991, RML Medical

Laboratories Inc. amalgamated with Mint Gold Resources Ltd., resulting in Old Lorus becoming a reporting issuer in Ontario on that date. On August 25, 1992, Old Lorus changed its name to IMUTEC Corporation. On November 27, 1996, Old Lorus changed its name to Imutec Pharma Inc. On November 19, 1998, Old Lorus changed its name to our current name, Lorus Therapeutics Inc. On October 1, 2005, Old Lorus continued under the Canada Business Corporations Act.

On July 10, 2007, we completed a plan of arrangement and corporate reorganization with, among others, 4325231 Canada Inc. (now Global Summit Real Estate Inc. and formerly Old Lorus), 6707157 Canada Inc. and Pinnacle International Lands, Inc. As a result of the arrangement, security holders in Old Lorus, including shareholders, option holders, and a holder of secured convertible debentures, exchanged their securities in Old Lorus for identical securities in New Lorus, the assets (including all of the shares of its subsidiaries but excluding certain future tax assets) and liabilities of Old Lorus were transferred to us, and Old Lorus became a wholly-owned subsidiary of New Lorus. In connection with the arrangement, New Lorus obtained substitutional listings of its common shares on both the Toronto Stock Exchange and the (then) American Stock Exchange (now the NYSE Amex). As part of the arrangement, New Lorus changed its name to Lorus Therapeutics Inc., which we refer to as "New Lorus", and continued as a biopharmaceutical company, specializing in the research and development of pharmaceutical products and technologies for the management of cancer as a continuation of the business of Old Lorus. New Lorus was incorporated on November 1, 2006 as 6650309 Canada Inc. under the Canada Business Corporations Act.

Our common shares trade on the Toronto Stock Exchange under the symbol "LOR". Our common shares are quoted on the Over-the-Counter Bulletin Board under the symbol "LRUSF".

Our head and registered office is located at 2 Meridian Road, Toronto, Ontario, Canada, M9W 4Z7.

Share Consolidation

At our annual and special meeting of shareholders held on November 30, 2009, our shareholders approved a special resolution permitting our board of directors, in its sole discretion, to file an amendment to our articles of incorporation to consolidate our issued and outstanding common shares. The special resolution provided that our board will have the authority, in its sole discretion, to select the exact consolidation ratio, provided that (i) the ratio may be no smaller than one post-consolidation common share for every 10 pre-consolidation common shares, and no larger than one post-consolidation common share for every 50 pre-consolidation common shares, and (ii) the number of pre-consolidation common shares in the ratio must be a whole number of common shares. The board was granted the authority to implement the share consolidation at any time prior to November 30, 2010, subject to any required regulatory approvals. In addition, notwithstanding shareholder approval, the board, in its sole discretion, may revoke the special resolution, and abandon the share consolidation without further approval or action by or prior notice to shareholders.

On May 12, 2010, our board approved the share consolidation, on the basis of one post-consolidation common share for every 30 pre-consolidation common shares. The record date and effective date for the share consolidation was May 25, 2010. Our common shares began trading on the Toronto Stock Exchange on a post-consolidation basis on May 31, 2010, and were quoted on the Over-the-Counter Bulletin Board on a post-consolidation basis beginning June 1, 2010. The share consolidation resulted in an adjustment to the exercise price and number of common shares issuable upon exercise of outstanding stock options and warrants. As a result of the one-for-30 share consolidation, the number of outstanding common shares was reduced from 298,009,677 common shares immediately prior to the consolidation to 9,933,454 common shares, the number of common shares issuable on exercise of stock options was reduced from 20,188,675 common shares immediately prior to the consolidation to 672,901 common shares, and the 36,921,440 warrants which were exercisable into an equal number of common shares prior to the consolidation were exercisable into 1,325,851 common shares.

Unless otherwise indicated, all references to our common shares in this prospectus are to our post-consolidation common shares.

THE OFFERING

Issuer	Lorus Therapeutics Inc.
The Offering	A total of units, each unit consisting of one common share and one half of one common share purchase warrant. The warrants are not attached to the common shares and the warrants and common shares will separate and be separately transferable immediately on the closing of the offering. There will be no minimum offering amount.
Warrants	Each whole warrant will entitle the holder to purchase one common share at any time beginning on the closing date of the offering until 5:00 p.m. (Eastern time) on the date that is five years following the closing date of the offering. The initial exercise price per common share is US$, representing 125% of the unit offering price. Effective , 2011, the first anniversary of the closing date of the offering, the exercise price will be US$, representing 130% of the unit offering price. Effective , 2012, the second anniversary of the closing date of the offering, the exercise price will be US$, representing 135% of the unit offering price. Effective , 2013, the third anniversary of the closing date of the offering, the exercise price will be US$, representing 140% of the unit offering price. Effective , 2014, the fourth anniversary of the closing date of the offering, the exercise price will be US$, representing 145% of the unit offering price. If at any time following , 2011, the first anniversary of the closing date of the offering, the closing price of our common shares on the principal market upon which our common shares are listed or traded has equaled or exceeded US$, representing 225% of offering price, for five consecutive trading days, we may, within five business days of the fifth consecutive trading day, call the warrants for cancellation by giving not less than 30 days prior notice to the holders of the cancellation. The warrants will continue to be exercisable following the notice of cancellation until the date of cancellation.
Purchase Price	US$ per unit
Net Proceeds	Approximately US$ million before deduction of estimated expenses of approximately US$.
Use of Proceeds	Assuming gross proceeds of US$17.5 million, we estimate that we will receive net proceeds from this offering of approximately US$15.5 million, after deducting agents' fees and the estimated offering expenses payable by us. We seek strategic alliances and co-development opportunities to share costs on clinical trials and pre-clinical programs. The following are our business objectives and our intended use of the estimated net proceeds from this offering:

- approximately US$5 million of the net proceeds of the offering to fund approximately 18-24 months of a multinational LOR-2040 Phase IIb or III trial during which time we intend to seek to secure additional funding or a strategic partnership to conclude the trial;
- approximately US$3 million of the net proceeds of the offering to complete a Phase I clinical trial and supporting activities for LOR-253 with a view to generating human safety data and to support a Phase II efficacy study;
- approximately US$2.5 million of the net proceeds of the offering to support our pre-clinical research and development programs for LOR-1284, LOR-500, LOR-220 and IL-17E with a view to further identifying and developing novel drug candidates and advancing them toward clinical trials;
- approximately $1 million of the net proceeds of the offering to repay the loan and outstanding interest, thereon, to Trapeze Capital Corporation; and
- balance to fund working capital and for other general corporate purposes.

Our management will have significant flexibility and discretion in applying the net proceeds from this offering. If an unforeseen event occurs, business conditions change, or for other business reasons, we may use the proceeds from this offering differently than as described above. To the extent that the net proceeds we receive from this offering are not immediately applied for the above purposes, we intend to invest our net proceeds in short-term, interest bearing, debt instruments or bank deposits. You should refer to the section of this prospectus entitled "Use of Proceeds".

Purchase and Closing Date	Each purchaser in the United States of units will be required to execute a subscription agreement. We expect that the closing of the offering will occur on or about , 2010.
Income Tax Considerations	Purchasing the securities may subject you to tax consequences both in the United States and Canada. You should refer to the sections of this prospectus entitled "Certain U.S. Federal Income Tax Considerations" and "Certain Canadian Federal Income Tax Considerations" for a summary of material United States and Canadian federal income tax considerations relevant to a purchase of securities described herein. You should read the tax discussion contained in this prospectus fully and consult with your own tax advisors concerning the Canadian, United States and other tax considerations relevant to you prior to investing in the units.
Toronto Stock Exchange Trading Symbol	LOR
Over-the-Counter Bulletin Board Symbol	LRUSF

Placement Agents	Global Hunter Securities has agreed to act as our placement agent in the United States in connection with the offering. D&D Securities Inc. has agreed to act as our placement agent in Canada in connection with the offering. The placement agents will receive an aggregate cash commission equal to 8% of the gross proceeds of the sale of units in the offering. We have agreed to reimburse Global Hunter Securities for reasonable and customary out-of-pocket expenses of up to US$90,000, which includes all legal expenses incurred by Global Hunter Securities for services provided by outside counsel of up to US$50,000, and other reasonable and customary out-of-pocket expenses incurred by Global Hunter Securities of up to US$40,000. We have also agreed to reimburse D&D Securities Inc. for reasonable and customary out-of-pocket expenses of up to $6,000, as well as all legal expenses incurred by D&D Securities Inc. for services provided by outside Canadian and U.S. counsel of up to $65,000 and US$15,000, respectively.
Risk Factors	An investment in the units involves a high degree of risk. Refer to the section of this prospectus entitled "Risk Factors" for disclosure relating to the risks applicable to our company and the offering, as well as the documents incorporated by reference into this prospectus.

RISK FACTORS

An investment in our securities involves risk. Before you invest in the units, you should carefully consider the risks involved. Accordingly, you should carefully consider the information contained in or incorporated by reference into this prospectus, including the risks described below and in our Annual Report on Form 20-F for the fiscal year ended May 31, 2009, which is incorporated by reference into this prospectus. The discussion of risks related to our business contained in or incorporated by reference into this prospectus comprises material risks of which we are aware. If any of the events or developments described actually occurs, our business, financial condition or results of operations would likely be adversely affected.

Risks Related To Our Business

We might not be able to continue as a going concern.

We have forecasted that our level of cash and cash equivalents and short-term investments will not be sufficient to execute our current planned expenditures for the next 12 months without further investment. We believe that, without the net proceeds of this offering, we have sufficient funding to continue to execute our planned expenditures without interruption until approximately the end of July 2010. We intend to continue to pursue additional funding and partnership opportunities to execute our planned expenditures in the future, but there can be no assurance that sufficient capital will be available to enable us to meet these continuing expenditures, or if the capital is available, that it will be available on terms acceptable to us. If we are unable to obtain sufficient financing on acceptable terms in order to meet our future operational needs, there is a significant doubt as to whether we will be able to continue as a going concern and realize our assets and pay our liabilities as they fall due in which case investors may lose their investment.

We need to raise additional capital.

We need to raise additional capital. To obtain the necessary capital, we must rely on some or all of the following: grants and tax credits, additional share issues and collaboration agreements or corporate partnerships to provide full or partial funding for our activities. We cannot assure you that additional funding will be available on terms that are acceptable to us or in amounts that will enable us to carry out our business plan.

If we cannot obtain the necessary capital on acceptable terms, we will have to:

- engage in equity financings that would result in significant dilution to existing investors;
- delay or reduce the scope of or eliminate one or more of our development programs;
- obtain funds through arrangements with collaborators or others that may require us to relinquish rights to technologies, product candidates or products that we would otherwise seek to develop or commercialize ourselves; or license rights to technologies, product candidates or products on terms that are less favourable to us than might otherwise be available;
- considerably reduce operations; or
- cease our operations.

We have a history of operating losses. We expect to incur net losses and we may never achieve or maintain profitability.

We have not been profitable since our inception in 1986. Under Canadian generally accepted accounting principles, we reported net losses of $8.9 million, $6.3 million and $9.6 million for the years

ended May 31, 2009, 2008 and 2007, respectively, and as of May 31, 2009, we had an accumulated deficit of $189.4 million.

To date we have only generated nominal revenues from the sale of Virulizin™ in Mexico and revenues associated with the license agreement with Zor Pharmaceuticals, LLC. We stopped selling Virulizin™ in Mexico in July 2005 and assigned the rights under the Zor Agreement to The Erin Mills Investment Corporation, as part of the consideration for our repurchase of secured convertible debentures in June 2009. We have not generated any other revenue from product sales to date and it is possible that we will never have sufficient product sales revenue to achieve profitability. We expect to continue to incur losses for at least the next several years as we or our collaborators and licensees pursue clinical trials and research and development efforts. To become profitable, we, either alone or with our collaborators and licensees, must successfully develop, manufacture and market our current product candidate, LOR-2040, as well as continue to identify, develop, manufacture and market new product candidates. It is possible that we will never have significant product sales revenue or receive significant royalties on our licensed product candidates. If funding is insufficient at any time in the future, we may not be able to develop or commercialize our products, take advantage of business opportunities or respond to competitive pressures.

We are an early stage development company.

We are at an early stage of development. Significant additional investment will be necessary to complete the development of any of our products. Pre-clinical and clinical trial work must be completed before our products could be ready for use within the market that we have identified. We may fail to develop any products, to obtain regulatory approvals, to enter clinical trials or to commercialize any products. We do not know whether any of our potential product development efforts will prove to be effective, meet applicable regulatory standards, obtain the requisite regulatory approvals, be capable of being manufactured at a reasonable cost or be accepted in the marketplace.

The product candidates we are currently developing are not expected to be commercially viable for several years and we may encounter unforeseen difficulties or delays in commercializing our product candidates. In addition, our products may cause undesirable side effects.

Our product candidates require significant funding to reach regulatory approval assuming positive clinical results. Such funding will be very difficult, or impossible to raise in the public markets. If such partnerships are not attainable, the development of these product candidates maybe significantly delayed or stopped altogether. The announcement of such delay or discontinuation of development may have a negative impact on our share price.

We have indemnified our predecessor, Old Lorus, and its directors, officers and employees.

In connection with the reorganization that we undertook in fiscal 2008, we have agreed to indemnify our predecessor, Old Lorus, and its directors, officers and employees from and against all damages, losses, expenses (including fines and penalties), other third party costs and legal expenses, to which any of them may be subject arising out of any matter occurring:

- prior to, at or after the effective time of the arrangement transaction, and directly or indirectly relating to any of the assets of Old Lorus transferred to us pursuant to the arrangement transaction (including losses for income, sales, excise and other taxes arising in connection with the transfer of any such asset) or conduct of the business prior to the effective time of the arrangement;

- prior to, at or after the effective time as a result of any and all interests, rights, liabilities and other matters relating to the assets transferred by Old Lorus to us under he arrangement; and

- prior to or at the effective time and directly or indirectly relating to, with certain exceptions, any of the activities of Old Lorus or the arrangement.

This indemnification could result in significant liability to us.

We may be unable to obtain partnerships for one or more of our product candidates, which could curtail future development and negatively affect our share price. In addition, our partners might not satisfy their contractual responsibilities or devote sufficient resources to our partnership.

Our strategy for the research, development and commercialization of our products requires entering into various arrangements with corporate collaborators, licensers, licensees and others, and our commercial success is dependent upon these outside parties performing their respective contractual responsibilities. The amount and timing of resources that such third parties will devote to these activities may not be within our control. We cannot assure you that such parties will perform their obligations as expected. We also cannot assure you that our collaborators will devote adequate resources to our programs. In addition, we could become involved in disputes with our collaborators, which could result in a delay or termination of the related development programs or result in litigation. We intend to seek additional collaborative arrangements to develop and commercialize some of our products. We may not be able to negotiate collaborative arrangements on favourable terms, or at all, in the future, or that our current or future collaborative arrangements will be successful.

If we cannot negotiate collaboration, licence or partnering agreements, we may never achieve profitability.

Clinical trials are long, expensive and uncertain processes and Health Canada or the FDA may ultimately not approve any of our product candidates. We may never develop any commercial drugs or other products that generate revenues.

None of our product candidates has received regulatory approval for commercial use and sale in North America. We cannot market a pharmaceutical product in any jurisdiction until it has completed thorough preclinical testing and clinical trials in addition to that jurisdiction's extensive regulatory approval process. In general, significant research and development and clinical studies are required to demonstrate the safety and effectiveness of our product candidates before we can submit any regulatory applications.

Clinical trials are long, expensive and uncertain processes. Clinical trials may not be commenced or completed on schedule, and Health Canada or the FDA or any other regulatory body may not ultimately approve our product candidates for commercial sale.

The clinical trials of any of our drug candidates could be unsuccessful, which would prevent us from advancing, commercializing or partnering the drug.

Even if the results of our preclinical studies or clinical trials are initially positive, it is possible that we will obtain different results in the later stages of drug development or that results seen in clinical trials will not continue with longer term treatment. Positive results in early Phase I or Phase II clinical trials may not be repeated in larger Phase II or Phase III clinical trials. For example, results of our Phase III clinical trial of Virulizin™ did not meet the primary endpoint of the study despite promising preclinical and early stage clinical data. All of our potential drug candidates are prone to the risks of failure inherent in drug development.

Preparing, submitting and advancing applications for regulatory approval is complex, expensive and time intensive and entails significant uncertainty. A commitment of substantial resources to conduct time-consuming research, preclinical studies and clinical trials will be required if we are to complete development of our products.

Clinical trials of our products require that we identify and enrol a large number of patients with the illness under investigation. We may not be able to enrol a sufficient number of appropriate patients to complete our clinical trials in a timely manner particularly in smaller indications such as acute myeloid leukemia. If we experience difficulty in enrolling a sufficient number of patients to conduct our clinical trials, we may need to delay or terminate ongoing clinical trials and will not accomplish objectives material to our success that could affect the price of our common shares. Delays in planned patient enrolment or lower than anticipated event rates in our current clinical trials or future clinical trials may result in increased costs, program delays, or both.

In addition, unacceptable toxicities or adverse side effects may occur at any time in the course of preclinical studies or human clinical trials or, if any product candidates are successfully developed and approved for marketing, during commercial use of any approved products. The appearance of any such unacceptable toxicities or adverse side effects could interrupt, limit, delay or abort the development of any of our product candidates or, if previously approved, necessitate their withdrawal from the market. Furthermore, disease resistance or other unforeseen factors may limit the effectiveness of our potential products.

Our failure to develop safe, commercially viable drugs would substantially impair our ability to generate revenues and sustain our operations and would materially harm our business and adversely affect our share price. We may never achieve profitability.

As a result of intense competition and technological change in the pharmaceutical industry, the marketplace may not accept our products or product candidates, and we may not be able to compete successfully against other companies in our industry and achieve profitability.

Many of our competitors have:

- drug products that have already been approved or are in development, and operate large, well-funded research and development programs in these fields;
- substantially greater financial and management resources, stronger intellectual property positions and greater manufacturing, marketing and sales capabilities, areas in which we have limited or no experience; and
- significantly greater experience than we do in undertaking preclinical testing and clinical trials of new or improved pharmaceutical products and obtaining required regulatory approvals.

Consequently, our competitors may obtain Health Canada, FDA and other regulatory approvals for product candidates sooner and may be more successful in manufacturing and marketing their products than we or our collaborators are.

Our competitor's existing and future products, therapies and technological approaches will compete directly with the products we seek to develop. Current and prospective competing products may provide greater therapeutic benefits for a specific problem or may offer easier delivery or comparable performance at a lower cost;

Any product candidate that we develop and that obtains regulatory approval must then compete for market acceptance and market share. Our product candidates may not gain market acceptance among physicians, patients, healthcare payers and the medical community. Further, any products we develop may become obsolete before we recover any expenses we incurred in connection with the development of these products.

As a result, we may never achieve profitability.

If we fail to attract and retain key employees, the development and commercialization of our products may be adversely affected.

We depend heavily on the principal members of our scientific and management staff. If we lose any of these persons, our ability to develop products and become profitable could suffer. The risk of being unable to retain key personnel may be increased by the fact that we have not executed long-term employment contracts with our employees, except for our senior executives. Our future success will also depend in large part on our ability to attract and retain other highly qualified scientific and management personnel. We face competition for personnel from other companies, academic institutions, government entities and other organizations.

We may be unable to obtain patents to protect our technologies from other companies with competitive products, and patents of other companies could prevent us from manufacturing, developing or marketing our products.

Patent protection:

The patent positions of pharmaceutical and biotechnology companies are uncertain and involve complex legal and factual questions. The United States Patent and Trademark Office and many other patent offices in the world have not established a consistent policy regarding the breadth of claims that they will allow in biotechnology patents.

Allowable patentable subject matter and the scope of patent protection obtainable may differ between jurisdictions. If a patent office allows broad claims, the number and cost of patent interference proceedings in the United States, or analogous proceedings in other jurisdictions and the risk of infringement litigation may increase. If it allows narrow claims, the risk of infringement may decrease, but the value of our rights under our patents, licenses and patent applications may also decrease.

The scope of the claims in a patent application can be significantly modified during prosecution before the patent is issued. Consequently, we cannot know whether our pending applications will result in the issuance of patents or, if any patents are issued, whether they will provide us with significant proprietary protection or will be circumvented, invalidated or found to be unenforceable.

Until recently, patent applications in the United States were maintained in secrecy until the patents issued, and publication of discoveries in scientific or patent literature often lags behind actual discoveries. Patent applications filed in the United States after November 2000 generally will be published 18 months after the filing date unless the applicant certifies that the invention will not be the subject of a foreign patent application. In many other jurisdictions, such as Canada, patent applications are published 18 months from the priority date. We cannot assure you that, even if published, we will be aware of all such literature. Accordingly, we cannot be certain that the named inventors of our products and processes were the first to invent that product or process or that we were the first to pursue patent coverage for our inventions.

Enforcement of intellectual property rights:

Protection of the rights revealed in published patent applications can be complex, costly and uncertain. Our commercial success depends in part on our ability to maintain and enforce our proprietary rights. If third parties engage in activities that infringe our proprietary rights, our management's focus will be diverted and we may incur significant costs in asserting our rights. We may not be successful in asserting our proprietary rights, which could result in our patents being held invalid or a court holding that the third party is not infringing, either of which would harm our competitive position.

Others may design around our patented technology. We may have to participate in interference proceedings declared by the United States Patent and Trademark Office, European opposition

proceedings, or other analogous proceedings in other parts of the world to determine priority of invention and the validity of patent rights granted or applied for, which could result in substantial cost and delay, even if the eventual outcome is favourable to us. We cannot assure you that our pending patent applications, if issued, would be held valid or enforceable.

Trademark protection:

In order to protect goodwill associated with our company and product names, we rely on trademark protection for our marks. For example, we have an application to register the Virulizin™ trademark with the United States Patent and Trademark Office. A third party may assert a claim that the Virulizin™ mark is confusingly similar to its mark and such claims or the failure to timely register the Virulizin™ mark or objections by the FDA could force us to select a new name for Virulizin™, which could cause us to incur additional expense.

Trade secrets:

We also rely on trade secrets, know-how and confidentiality provisions in our agreements with our collaborators, employees and consultants to protect our intellectual property. However, these and other parties may not comply with the terms of their agreements with us, and we might be unable to adequately enforce our rights against these people or obtain adequate compensation for the damages caused by their unauthorized disclosure or use of our trade secrets or know how. Our trade secrets or those of our collaborators may become known or may be independently discovered by others.

Our products and product candidates may infringe the intellectual property rights of others, which could increase our costs.

Our success also depends on avoiding infringement of the proprietary technologies of others. In particular, there may be certain issued patents and patent applications claiming subject matter which we or our collaborators may be required to license in order to research, develop or commercialize at least some of our product candidates, including LOR-2040 and small molecules. In addition, third-parties may assert infringement or other intellectual property claims against us based on our patents or other intellectual property rights. An adverse outcome in these proceedings could subject us to significant liabilities to third-parties, require disputed rights to be licensed from third-parties or require us to cease or modify our use of the technology. If we are required to license such technology, we cannot assure you that a license under such patents and patent applications will be available on acceptable terms or at all. Further, we may incur substantial costs defending ourselves in lawsuits against charges of patent infringement or other unlawful use of another's proprietary technology.

If product liability claims are brought against us or we are unable to obtain or maintain product liability insurance, we may incur substantial liabilities that could reduce our financial resources.

The clinical testing and commercial use of pharmaceutical products involves significant exposure to product liability claims. We have obtained limited product liability insurance coverage for our clinical trials on humans; however, our insurance coverage may be insufficient to protect us against all product liability damages. Further, liability insurance coverage is becoming increasingly expensive and we might not be able to obtain or maintain product liability insurance in the future on acceptable terms or in sufficient amounts to protect us against product liability damages. Regardless of merit or eventual outcome, liability claims may result in decreased demand for a future product, injury to reputation, withdrawal of clinical trial volunteers, loss of revenue, costs of litigation, distraction of management and substantial monetary awards to plaintiffs. Additionally, if we are required to pay a product liability claim, we may not have sufficient financial resources to complete development or commercialization of any of our product candidates and our business and results of operations will be adversely affected.

We have no manufacturing capabilities. We depend on third-parties, including a number of sole suppliers, for manufacturing and storage of our product candidates used in our clinical trials. Product introductions may be delayed or suspended if the manufacture of our products is interrupted or discontinued.

Other than limited quantities for research purposes, we do not have manufacturing facilities to produce supplies of LOR-2040, small molecule or any of our other product candidates to support clinical trials or commercial launch of these products, if they are approved. We are dependent on third parties for manufacturing and storage of our product candidates. If we are unable to contract for a sufficient supply of our product candidates on acceptable terms, or if we encounter delays or difficulties in the manufacturing process or our relationships with our manufacturers, we may not have sufficient product to conduct or complete our clinical trials or support preparations for the commercial launch of our product candidates, if approved.

Our operations involve hazardous materials and we must comply with environmental laws and regulations, which can be expensive and restrict how we do business.

Our research and development activities involve the controlled use of hazardous materials, radioactive compounds and other potentially dangerous chemicals and biological agents. Although we believe our safety procedures for these materials comply with governmental standards, we cannot entirely eliminate the risk of accidental contamination or injury from these materials. We currently have insurance, in amounts and on terms typical for companies in businesses that are similarly situated that could cover all or a portion of a damage claim arising from our use of hazardous and other materials. However, if an accident or environmental discharge occurs, and we are held liable for any resulting damages, the associated liability could exceed our insurance coverage and our financial resources.

Our interest income is subject to fluctuations of interest rates in our investment portfolio.

Our investments are held to maturity and have staggered maturities to minimize interest rate risk. We cannot assure you that interest income fluctuations will not have an adverse impact on our financial condition. We maintain all our accounts in Canadian dollars, but a portion of our expenditures are in foreign currencies. We do not currently engage in hedging our foreign currency requirements to reduce exchange rate risk.

Risks Related To Our Common Shares

Our share price has been and may continue to be volatile and an investment in our common shares could suffer a decline in value.

You should consider an investment in our common shares as risky and invest only if you can withstand a significant loss and wide fluctuations in the market value of your investment. We receive only limited attention by securities analysts and frequently experience an imbalance between supply and demand for our common shares. The market price of our common shares has been highly volatile and is likely to continue to be volatile. Factors affecting our common share price include but are not limited to:

- our financial position and doubt as to whether we will be able to continue as a going concern;
- our ability to raise additional capital;
- the progress of our and our collaborators' clinical trials, including our and our collaborators' ability to produce clinical supplies of our product candidates on a timely basis and in sufficient quantities to meet our clinical trial requirements;
- announcements of technological innovations or new product candidates by us, our collaborators or our competitors;

- fluctuations in our operating results;
- published reports by securities analysts;
- developments in patent or other intellectual property rights;
- publicity concerning discovery and development activities by our licensees;
- the cash and short term investments held us and our ability to secure future financing;
- public concern as to the safety and efficacy of drugs that we and our competitors develop;
- governmental regulation and changes in medical and pharmaceutical product reimbursement policies; and
- general market conditions.

Future sales of our common shares by us or by our existing shareholders could cause our share price to fall.

The issuance of common shares by us could result in significant dilution in the equity interest of existing shareholders and adversely affect the market price of our common shares. Sales by existing shareholders of a large number of our common shares in the public market and the issuance of shares issued in connection with strategic alliances, or the perception that such additional sales could occur, could cause the market price of our common shares to decline.

A decline in the market price of our common shares after the share consolidation may result in a greater percentage decline than would occur in the absence of the share consolidation, and the liquidity of our common shares could be adversely affected following the consolidation.

If the market price of our common shares declines following the share consolidation, the percentage decline may be greater than would occur in the absence of the consolidation. The market price of the common shares will, however, also be based on our performance and other factors, which are unrelated to the number of common shares outstanding. Furthermore, the reduced number of common shares outstanding following the share consolidation could adversely affect the liquidity of our common shares.

The share consolidation may result in some of our shareholders owning "odd lots" of less than 100 common shares on a post consolidation basis, which may be more difficult to sell, or require greater transaction costs per common share to sell.

The share consolidation may result in some shareholders owning "odd lots" of less than 100 common shares on a post-consolidation basis. Odd lots may be more difficult to sell, or require greater transaction costs per common share to sell, than common shares in "board lots" of even multiples of 100 common shares.

Risks Relating To This Offering

There can be no assurance as to the liquidity of the warrants or that a trading market for the warrants will develop.

There is currently no public market through which the warrants may be sold and we do not intend to apply for the listing of the warrants on any securities exchange. This may affect the pricing of the warrants in the secondary market, the transparency and availability of trading prices and the liquidity of the warrants.

There is a limited market for our common shares in the United States.

Our common shares are quoted on the Over-the-Counter Bulletin Board market. There is no assurance that an active trading market will develop on the Over-the-Counter Bulletin Board market. If a shareholder in the United States is unable to sell their common shares in the United States, they will be forced to sell their common shares over the Toronto Stock Exchange, which may expose the selling shareholder to currency exchange risk. In addition, because we are not listed on any United States stock exchange, resales of our common shares to United States persons under state securities or "blue sky" laws are likely to be limited to unsolicited transactions.

Our share price is volatile.

The market price of our common shares, like that of the securities of many other biotechnology companies in the development stage, has been, and is likely to continue to be, highly volatile. This increases the risk of securities litigation related to such volatility. Factors such as the results of our preclinical studies and clinical trials, as well as those of our collaborators or our competitors; other evidence of the safety or effectiveness of our products or those of our competitors; announcements of technological innovations or new products by us or our competitors; governmental regulatory actions; developments with our collaborators; developments (including litigation) concerning patent or other proprietary rights of our company or our competitors; concern as to the safety of our products; period-to-period fluctuations in operating results; changes in estimates of our performance by securities analysts; market conditions for biotechnology stocks in general; and other factors not within the control of our company could have a significant adverse effect on the market price of our common shares.

Our outstanding common shares could be subject to dilution.

The exercise of stock options and warrants already issued by us and the issuance of other additional securities in the future, including upon the exercise of the warrants offered hereby could result in dilution in the value of our common shares and the voting power represented by the common shares. Furthermore, to the extent holders of our stock options or other securities exercise their securities and then sell the common shares they receive, our share price may decrease due to the additional amount of our common shares available in the market.

It may be difficult for non-Canadian investors to obtain and enforce judgments against us because of our Canadian incorporation and presence.

We are a corporation existing under the laws of Canada. Most of our directors and officers, and all of the experts named in this prospectus and the documents incorporated by reference into this prospectus, are residents of Canada, and all or a substantial portion of their assets, and a substantial portion of our assets, are located outside the United States. Consequently, although we have appointed an agent for service of process in the United States, it may be difficult for holders of these securities who reside in the United States to effect service within the United States upon those directors and officers, and the experts who are not residents of the United States. It may also be difficult for holders of these securities who reside in the United States to realize in the United States upon judgments of courts of the United States predicated upon our civil liability and the civil liability of our directors, officers and experts under the United States federal securities laws. Investors should not assume that Canadian courts (i) would enforce judgments of United States courts obtained in actions against us or such directors, officers or experts predicated upon the civil liability provisions of the United States federal securities laws or the securities or "blue sky" laws of any state within the United States or (ii) would enforce, in original actions, liabilities against us or such directors, officers or experts predicated upon the United States federal securities laws or any such state securities or "blue sky" laws. In addition, we have been advised by our Canadian counsel that in normal circumstances, only civil judgments and not other rights arising from United States securities legislation are enforceable in

Canada and that the protections afforded by Canadian securities laws may not be available to investors in the United States.

If there are substantial sales of our common shares, the market price of our common shares could decline.

Sales of substantial numbers of our common shares could cause a decline in the market price of our common shares. Any sales by existing shareholders or holders of options may have an adverse effect on our ability to raise capital and may adversely affect the market price of our common shares.

We have broad discretion in how we use the net proceeds of the offering, and we may not use these proceeds in a manner desired by our security holders.

We will have broad discretion with respect to the use of the net proceeds from the offering and investors will be relying on the judgment of our management regarding the application of these proceeds. We could spend most of the net proceeds from the offering in ways that our shareholders may not desire or that do not yield a favourable return. You will not have the opportunity, as part of your investment in our securities, to influence the manner in which the net proceeds of the offering are used. We currently intend to use the proceeds of the offering as described in the section of this prospectus entitled "Use of Proceeds". However, our needs may change as our business and our industry evolve. As a result, the proceeds we receive in the offering may be used in a manner significantly different from our current expectations.

Because there is no minimum offering amount required as a condition to closing the offering, the actual public offering amount and net proceeds to us, if any, from the offering are not presently determinable and may be substantially less than the maximum offering amounts described above.

We believe that we may be a "passive foreign investment company" for the current taxable year which would likely result in materially adverse United States federal income tax consequences for United States investors.

We, generally will be a "passive foreign investment company" under the meaning of Section 1297 of the United States Internal Revenue Code of 1986, as amended (a "PFIC") if, for any tax year, (a) 75% or more of our gross income for such year is "passive income" (generally, dividends, interest, rents, royalties, and gains from the disposition of assets producing passive income) or (b) if at least 50% or more of the value of our assets produce, or are held for the production of, passive income, based on the quarterly average of the fair market value of such assets. United States shareholders should be aware that we believe that we were classified as a PFIC during our tax year which ended May 31, 2009, and based on current business plans and financial expectations, believe that we may be a PFIC for the current and future taxable years. If we are a PFIC for any taxable year during which a United States person holds our common shares or warrants, our status as a PFIC may result in materially adverse United States federal income tax consequences for such United States person as further described herein under "Certain U.S. Federal Income Tax Considerations." The potential consequences include, but are not limited to, recharacterization of gain from the sale of our common shares and warrants as ordinary income and the imposition of an interest charge on such gain and on certain distributions received on our common shares. Certain elections may be available under U.S. tax rules to mitigate some of the adverse consequences of holding shares in a PFIC. One of these elections is the "qualified electing fund election," defined and discussed below under "Certain U.S. Federal Income Tax Considerations." Upon written request, we will provide to U.S. shareholders information as to our status as a PFIC and the PFIC status of certain of our subsidiaries and, for each year in which we are a PFIC, we will use commercially reasonable efforts to provide to U.S. shareholders all information and documentation necessary for such investor to make a qualified electing fund election for U.S. federal income tax purposes. Except as otherwise provided in this prospectus, United States persons that hold warrants are not eligible to make the mitigating elections with respect to such warrants and common shares received upon exercise of the warrants. This paragraph is qualified in its

entirety by the discussion below under the heading "Certain U.S. Federal Income Tax Considerations." The PFIC rules are extremely complex and a U.S. person purchasing units and/or holding our common shares or warrants is encouraged to consult its tax advisors regarding the PFIC rules and the United States federal income tax consequences of the acquisition, ownership, and disposition of our units, common shares and warrants.

USE OF PROCEEDS

Assuming gross proceeds of US$17.5 million, we estimate that we will receive net proceeds from this offering of approximately US$15.5 million, after deducting agents' fees and the estimated offering expenses payable by us.

We seek strategic alliances and co-development opportunities to share costs on clinical trials and pre-clinical programs. The following are our business objectives and our intended use of the estimated net proceeds from this offering:

- approximately US$5 million of the net proceeds of the offering to fund approximately 18-24 months of a multinational LOR-2040 Phase IIb or III trial during which time we intend to seek to secure additional funding or a strategic partnership to conclude the trial;
- approximately US$3 million of the net proceeds of the offering to complete a Phase I clinical trial and supporting activities for LOR-253 with a view to generating human safety data and to support a Phase II efficacy study;
- approximately US$2.5 million of the net proceeds of the offering to support our pre-clinical research and development programs for LOR-1284, LOR-500, LOR-220 and IL-17E with a view to further identifying and developing novel drug candidates and advancing them toward clinical trials;
- approximately $1 million of the net proceeds of the offering to repay the loan and outstanding interest thereon, to Trapeze Capital Corporation. See "Related Party Transactions"; and
- the balance to fund working capital and for other general corporate purposes.

In the year ended May 31, 2009, we had negative operating cash flow. To the extent required, the net proceeds from the offering will be used to fund negative operating cash flow in future periods.

Commercialization and production of biopharmaceuticals can only be achieved once all regulatory steps have been completed. The regulatory approval process usually includes three phases of clinical trials which, depending on the drug or product being tested, will vary in time required to complete. The phases can extend a number of years and can be costly to complete. Given the uncertainty around the design, regulatory requirements and timing of future clinical trials, an estimate of the future costs of the regulatory phases is not reasonable at this time. See "Risk Factors."

Our management will have significant flexibility and discretion in applying the net proceeds from this offering. If an unforeseen event occurs, business conditions change, or for other business reasons, we may use the proceeds from this offering differently than as described above. To the extent that the net proceeds we receive from this offering are not immediately applied for the above purposes, we intend to invest our net proceeds in short-term, interest bearing, debt instruments or bank deposits.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Our selected consolidated financial information, including the balance sheets as at May 31, 2009 and 2008, and the statements of operations for the three-year period ended May 31, 2009, are included in our Annual Report on Form 20-F for the fiscal year ended May 31, 2009, which is incorporated by reference into this prospectus.

The following tables present our selected consolidated financial data as at February 28, 2010 and May 31, 2009 and for the nine months ended February 28, 2010 and 2009. You should read these tables in conjunction with our unaudited consolidated interim financial statements and accompanying notes, and the "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in our Report of Foreign Issuer on Form 6-K furnished on April 15, 2010, which is incorporated by reference into this prospectus. The financial data as at February 28, 2010 and May 31, 2009 and for the nine months ended February 28, 2010 and 2009 have been derived from, and are qualified in their entirety by reference to, our unaudited consolidated interim financial statements for those periods, which have been prepared in accordance with Canadian generally accepted accounting principles and reconciled to United States generally accepted accounting principles in the supplementary information included with the financial statements, and which are included in Exhibit 99.4 to our Report of Foreign Issuer on Form 6-K furnished on April 15, 2010 and incorporated by reference in this prospectus.

The following table presents a summary of our consolidated statement of operations, which has been derived from our unaudited consolidated interim financial statements for the three and nine months ended February 28, 2010 and 2009. Common share and per share numbers do not reflect the one-for-30 share consolidation effected May 25, 2010.

Consolidated statements of operations data
(In thousands, except per share data)

	Nine months ended February 28, 2010 (unaudited)	Nine months ended February 28, 2009 (unaudited)
In accordance with Canadian GAAP		
Revenue	$ 131	$ 106
Research and development(1)	1,916	3,056
General and administrative(1)	1,791	2,442
Net earnings (loss)(2)	7,151	(6,965)
Basic and diluted earnings (loss) per share(3)	$ 0.03	$ (0.03)
Weighted average number of common shares outstanding:		
Basic	275,232	244,039
Diluted	278,377	244,039
In accordance with United States GAAP		
Net earnings (loss)	$ 7,516	$ (6,144)
Basic and diluted earnings (loss) per share	$ 0.03	$ (0.03)

(1) Amounts in 2009 have been reclassified to conform to the financial statement presentation adopted at May 31, 2009.

(2) On June 19, 2009, we repurchased secured convertible debentures that had been issued to The Erin Mills Investment Corporation for consideration that included a cash payment of $3.3 million, the assignment of rights under a license agreement with ZOR Pharmaceuticals Inc., certain intellectual property associated with Virulizin™ and all of the shares held by us in Pharma Immune. As a result of this repurchase, we recognized a gain on the repurchase of the secured

convertible debentures of $11 million, net of transaction costs of approximately $221,000 and the cash payment of $3.3 million.

(3) The following table presents basic and diluted earnings (loss) per share for the nine months ended February 28, 2010 and 2009 on a post-one-for-30 share consolidation basis:

	Nine months ended February 28, 2010	Nine months ended February 28, 2009
In accordance with Canadian GAAP		
Basic earnings (loss) per share	$ 0.78	$ (0.86)
Diluted earnings (loss) per share	$ 0.77	$ (0.86)
In accordance with U.S. GAAP		
Basic earnings (loss) per share	$ 0.82	$ (0.76)
Diluted earnings (loss) per share	$ 0.81	$ (0.76)
Weighted average number of common shares outstanding — Canadian and U.S. GAAP (in thousands):		
Basic	9,174	8,134
Diluted	9,279	8,134

The following table presents a summary of our consolidated balance sheet as at February 28, 2010 and May 31, 2009. Common share numbers do not reflect the one-for-30 share consolidation effected May 25, 2010.

Consolidated balance sheet data
(In Thousands, except for common share data)

	As at February 28, 2010 (unaudited)	As at May 31, 2009
In accordance with Canadian GAAP		
Cash and cash equivalents	$ 888	$ 5,374
Marketable securities and other investments	$ 244	$ 490
Total assets	$ 2,590	$ 7,527
Total liabilities	$ 1,430	$ 15,878
Total shareholders' equity (deficit)	$ 1,160	$ (8,351)
Number of common shares outstanding(1)	298,010	256,808
Dividends paid on common shares	—	—
In accordance with United States GAAP		
Total assets	$ 2,590	$ 7,593
Total liabilities	$ 1,430	$ 16,322
Total shareholders' equity (deficit)	$ 1,160	$ (8,729)

(1) Post-consolidation, the number of common shares outstanding at February 28, 2010 and May 31, 2009 were (in thousands) 9,933 and 8,560, respectively.

CAPITALIZATION AND INDEBTEDNESS

The following provides our capitalization at February 28, 2010 in accordance with United States generally accepted accounting principles on an actual basis, and as adjusted to give effect to (i) the issuance of the units offered under this prospectus, less the estimated placement agents fees and offering expenses payable by us, and (ii) the fair value of the warrants to purchase common shares that we have agreed to issue in connection with this offering, with an exercise price ranging from US$ to US$ per share, which will be accounted for as a derivative instrument liability, as it is denominated in a currency other than our functional currency:

(in thousands other than securities numbers)	Actual	As Adjusted
Long-term liabilities	$ —	$ —
Common shares (unlimited authorized, 9,933,454 issued and outstanding, without par value)	$ 163,881	
Stock options (exchangeable into 684,666 common shares)	$ —	
Contributed surplus	$ 9,648	
Common share purchase warrants (exchangeable into 1,325,851 common shares)	$ 1,026	
Deficit accumulated during development stage at February 28, 2010	$ (173,388)	
Total capitalization	$ 1,167	$

The above table gives effect to the one-for-30 share consolidation effected May 25, 2010. The above table excludes the following common shares: (i) up to common shares that may be issued upon exercise of the warrants sold under this offering; (ii) 684,666 common shares issuable upon exercise of stock options outstanding as of May 25, 2010 with a weighted average exercise price of $6.59 per share (20,539,993 common shares at a weighted average exercise price of $0.22 prior to giving effect to the one-for-30 share consolidation); and (iii) 1,325,851 common shares issuable upon exercise of warrants outstanding as of May 25, 2010 with a weighted average exercise price of $3.32 per share (36,921,440 common shares at a weighted average exercise price of $0.12 prior to giving effect to the one-for-30 share consolidation).

DILUTION

The following information gives effect to the one-for-30 share consolidation effected May 25, 2010.

If you invest in our common shares and warrants, your interest will be diluted to the extent of the difference between the price per share you pay and the net tangible book value per share of our common shares immediately after this offering. Our net tangible book value as of February 28, 2010 was approximately $554,000 (US$526,000), or $0.06 (US$0.05) per common share. Net tangible book value per share is equal to our total tangible assets minus total liabilities, divided by the number of common shares outstanding as of February 28, 2010. After giving effect to the sale by us of units, consisting of one common share and one half of one warrant at an offering price of $ (US$), after deducting the placement agents fee and estimated expenses of this offering, our as adjusted net tangible book value would be approximately $ (US$), or $ (US$) per common share. This represents an immediate increase in net tangible book value of $ (US$) per common share to our existing shareholders and an immediate dilution of $ (US$) per common share to anyone who purchases our common shares and warrants at $ (US$) per unit. U.S. dollar figures are based on the noon rate of exchange for conversion of one Canadian dollar to United States dollars as reported by the Bank of Canada on February 28, 2010 of $1.0000 = US$0.9500. The following table (which gives effect to the one-for-30 share consolidation effected May 25, 2010) illustrates this calculation on a per share basis:

	Cdn. Dollars		U.S. Dollars	
Assumed public offering price for one common share and one half of one common share purchase warrant	$		US$	
Net tangible book value per share as of February 28, 2010	$	0.06	US$	0.05
Increase per share attributable to this offering	$		US$	
As adjusted net tangible book value per share as of February 28, 2010 after giving effect to this offering	$		US$	
Dilution per share to new investors	$		US$	

The foregoing table is based on 9,933,454 common shares outstanding as of February 28, 2010 (on a post-one-for-30 share consolidation basis) and does not take into effect further dilution to new investors that could occur upon:

- the exercise of outstanding stock options having a per share exercise price (adjusted for post-consolidation) less than the offering price; and
- the exercise of outstanding warrants having a per share exercise price (adjusted for post-consolidation) less than the offering price.

As of February 28, 2010, there were:

- 684,608 common shares (on a post-one-for-30 share consolidation basis) issuable upon exercise of outstanding options at a weighted average exercise price of $6.60 per common share;
- 805,410 common shares (on a post-one-for-30 share consolidation basis) reserved for future awards and issuances under our equity compensation plans; and
- 1,325,851 common shares (on a post-one-for-30 share consolidation basis) issuable upon exercise of warrants outstanding with a weighted average exercise price of $3.32 per share.

If all of these options and warrants were exercised, then our existing shareholders, including the holders of these options and warrants, would own % of our common shares, and our new investors holding common shares newly issued pursuant to this offering would own % of our common shares upon the closing of the offering. The net tangible book value per share after this offering would be $, causing dilution to new investors of $ per share.

SHARE OWNERSHIP

The following table sets forth information regarding beneficial ownership of our common shares as of May 31, 2010, by our officers and directors individually and as a group, as calculated in accordance with Rule 13d-3 of the Securities Exchange Act of 1934. The following table (including the notes to the table) gives effect to the one-for-30 share consolidation effected May 25, 2010.

	Common Shares Beneficially Owned Prior to the Offering(1)		Common Shares Beneficially Owned After the Offering	
	Number	%	Number	%
Dr. Aiping H. Young(2)	236,560	2.33		
Elizabeth Williams(3)	30,985	*		
Dr. Saeid Babaei(4)	24,993	*		
Dr. Yoon Lee(5)	35,375	*		
Georg Ludwig(6)	1,371,698	13.59		
Dr. Jim A. Wright(7)	172,829	1.74		
Herbert Abramson(8)	2,027,341	19.25		
Dr. Denis Burger(9)	26,986	*		
Dr. Mark Vincent(10)	12,499	*		
All directors and executive officers as a group	3,939,267	35.64		

* Less than 1%.

(1) Common shares that may be acquired by an individual within 60 days of the date of this prospectus pursuant to the exercise of warrants or options are deemed to be outstanding for the purpose of computing the percentage ownership of such individual, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the above table. As a result, the total for all directors and officers as a group is not the arithmetic sum of the other holdings in the table.

(2) Includes common shares issuable within 60 days of the date of this prospectus upon exercise of (i) warrants to purchase 2,400 common shares at an exercise price of $4.53 per common share with an expiry date of August 7, 2010, issued pursuant to a rights offering completed on August 7, 2008, and (ii) options to purchase 211,576 common shares at exercise prices ranging from $2.10-$75.00 with expiry dates ranging from 2010-2018.

(3) Includes common shares issuable within 60 days of the date of this prospectus upon exercise of (i) warrants to purchase 34 common shares at an exercise price of $4.53 per common share with an expiry date of August 7, 2010, issued pursuant to a rights offering completed on August 7, 2008, and (ii) options to purchase 30,666 common shares at exercise prices ranging from $2.10-$23.40 with expiry dates ranging from 2014-2019.

(4) Includes common shares issuable within 60 days of the date of this prospectus upon exercise of (i) warrants to purchase 92 common shares at an exercise price of $4.53 per common share with an expiry date of August 7, 2010, issued pursuant to a rights offering completed on August 7, 2008, and (ii) options to purchase 23,750 common shares at exercise prices ranging from $2.10-$6.60 with expiry dates ranging from 2017-2019.

(5) Includes common shares issuable within 60 days of the date of this prospectus upon exercise of options to purchase 35,375 common shares at exercise prices ranging from $2.10-$9.00 with expiry dates ranging from 2010-2019.

(6) Includes common shares issuable within 60 days of the date of this prospectus upon exercise of (i) warrants to purchase 145,450 common shares at an exercise price of $4.53 per common share with an expiry date of August 7, 2010, issued pursuant to a rights offering completed on August 7, 2008, and (ii) options to purchase 14,165 common shares at exercise prices ranging from $2.40-$9.00 with expiry dates ranging from 2016-2019. Mr. Ludwig is deemed to control the shares held by High Tech in his capacity as managing director of High Tech. High Tech is a European venture capital fund focused on providing financial support for the development of innovative products based upon applied technologies and life sciences. High Tech manages its funds from offices in Germany and Liechtenstein. Mr. Ludwig resigned as a director of the Company on March 3, 2010.

(7) Includes common shares issuable within 60 days of the date of this prospectus upon exercise of (i) warrants to purchase 4,005 common shares at an exercise price of $4.53 per common share with an expiry date of August 7, 2010, issued pursuant to a rights offering completed on August 7, 2008, and (ii) options to purchase 14,165 common shares at exercise prices ranging from $2.40-$9.00 with expiry dates ranging from 2016-2019.

(8) Includes common shares issuable within 60 days of the date of this prospectus upon exercise of (i) warrants to purchase 303,956 common shares at an exercise price of $4.53 per common share with an expiry date of August 7, 2010, issued pursuant to a rights offering completed on August 7, 2008, (ii) warrants to purchase 283,333 common shares at an exercise price of $2.40 per common share with an expiry date of May 27, 2011, and (iii) options to purchase 12,499 common shares at exercise prices ranging from $2.40-$6.60 with expiry dates ranging from 2017-2019. In addition to shares held personally, Mr. Abramson is deemed to control the shares held by Technifund Inc., an investment firm located in Toronto, Canada, as he is sole owner of the company.

(9) Includes common shares issuable within 60 days of the date of this prospectus upon exercise of options to purchase 24,999 common shares at exercise prices ranging from $2.40-$6.60 with expiry dates ranging from 2017-2019.

(10) Includes common shares issuable within 60 days of the date of this prospectus upon exercise of options to purchase 12,499 common shares at exercise prices ranging from $2.40-$6.60 with expiry dates ranging from 2017-2019.

MAJOR SHAREHOLDERS

To our knowledge, as of the date of this prospectus, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, more than 5% of our outstanding common shares, other than (i) the group, within the meaning of Section 13(d)(3) of the Securities and Exchange Act of 1934, comprised of Trapeze Asset Management Inc., Trapeze Capital Corp., 1346049 Ontario Limited, 2187792 Ontario Inc. and Randall Abramson, which owns approximately 5.1% of our common shares, and (ii) as described under the headings "Major Shareholders and Related Party Transactions — Major Shareholders" in our Annual Report on Form 20-F for the fiscal year ended May 31, 2009, which is incorporated by reference into this prospectus.

RELATED PARTY TRANSACTIONS

There were no related party transactions during the period June 1, 2006 to May 31, 2007.

During the year ended May 31, 2008, we expensed consulting fees of $31,000 to one of our directors, of which $30,000 remained payable at May 31, 2008. This transaction was in the normal course of business and has been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Related party transactions from June 1, 2008 to May 31, 2009 are described under the heading "Major Shareholders and Related Party Transactions — Related Party Transactions" in our Annual Report on Form 20-F for the fiscal year ended May 31, 2009, which is incorporated by reference into this prospectus.

On October 6, 2009, we received an unsecured loan in the amount of $1 million principal amount from one of our directors, Herbert Abramson. The loan bore interest at a rate of 10% per year and was due six months from the date the loan was made. The loan could be repaid at anytime prior to maturity without attracting any penalty. In November 2009, the loan was cancelled and the funds applied for Mr. Abramson to subscribe for units as part of our November 2009 private placement of securities.

In conjunction with the private placement of units in November 2009, Trapeze Capital Corp., a company in which Herbert Abramson is an officer and director, received commissions in the form of $106,000 and broker warrants to purchase 1,341,666 of our pre-consolidation common shares (44,722 of our post-consolidation common shares). Pre-consolidation, each broker warrant permitted the holder to purchase one additional common share at a price of $0.08 per pre-consolidation common share. Post-consolidation, each warrant permits the holder to purchase 0.033 common shares at an exercise price of $2.40 per whole common share until May 27, 2011.

On April 14, 2010, we received an unsecured loan in the amount of $1 million principal amount from Trapeze Capital Corp., a company in which Herbert Abramson is an officer and director. The loan is unsecured, evidenced by a promissory note and bears interest at the annual rate of 10%. The loan can be repaid at anytime prior to maturity without attracting any penalty. The principal and interest amount are due on October 13, 2010. The funds will be used for general working capital purposes. Upon an event of default, including, but not limited to: (i) our failure to pay interest when due; (ii) a sale of all or substantially all of our assets; and (iii) our insolvency, the principal amount of the loan may become due to Trapeze Capital Corp., at its option.

PRICE RANGE OF COMMON STOCK AND TRADING MARKETS

Our common shares are currently listed on the Toronto Stock Exchange under the symbol "LOR". Until October 31, 2008, our shares were also listed on the American Stock Exchange (now the NYSE Amex) under the symbol "LRP". The following table provides the price ranges of our common shares on the Toronto Stock Exchange and the NYSE Amex for the periods indicated below. Effective October 31, 2008, we voluntarily delisted from the NYSE Amex, and therefore, no price ranges are provided for the NYSE Amex for periods after that date. Our common shares are also quoted on the Over-the-Counter Bulletin Board under the symbol "LRUSF". Our common shares began trading on the Toronto Stock Exchange on a one-for-30 post-consolidation basis beginning on May 31, 2010. Our common shares were quoted on the Over-the-Counter Bulletin Board on a one-for-30 post-consolidation basis beginning on June 1, 2010.

	AMEX (US$)		TSX (CDN$)	
Five most recent full fiscal years	**High**	**Low**	**High**	**Low**
Year ended May 31, 2009	**	**	0.16	0.03
Year ended May 31, 2008	0.27	0.11	0.26	0.14
Year ended May 31, 2007	0.34	0.14	0.39	0.22
Year ended May 31, 2006	0.79	0.19	0.92	0.22
Year ended May 31, 2005	0.70	0.45	0.94	0.57
Year ended May 31, 2009				
Quarter ended May 31, 2009	**	**	0.08	0.03
Quarter ended February 28, 2009	**	**	0.09	0.04
Quarter ended November 30, 2008	**	**	0.10	0.05
Quarter ended August 31, 2008	0.16	0.07	0.17	0.08
Year ended May 31, 2008				
Quarter ended May 31, 2008	0.21	0.11	0.21	0.14
Quarter ended February 28, 2007	0.25	0.15	0.21	0.16
Quarter ended November 30, 2007	0.27	0.14	0.25	0.17
Quarter ended August 31, 2007	0.26	0.15	0.26	0.16
June 2010 (to June 2)	N/A	N/A	2.55	2.25
May 2010 (May 31)	N/A	N/A	2.50	2.04
May 2010 (to May 30)	N/A	N/A	0.11	0.08
April 2010	N/A	N/A	0.12	0.07
March 2010	N/A	N/A	0.11	0.08
February 2010	N/A	N/A	0.12	0.09
January 2010	N/A	N/A	0.08	0.06
December 2009	N/A	N/A	0.08	0.06
November 2009	N/A	N/A	0.09	0.06
October 2009	N/A	N/A	0.09	0.08
September 2009	N/A	N/A	0.10	0.075
August 2009	N/A	N/A	0.09	0.07
July 2009	N/A	N/A	0.085	0.065
June 2009	N/A	N/A	0.09	0.06
May 2009	N/A	N/A	0.075	0.06

PLAN OF DISTRIBUTION

Global Hunter Securities and D&D Securities Inc., which we refer to as the placement agents, have entered into a placement agency agreement with us in which Global Hunter Securities has agreed to act as our placement agent in the United States in connection with the offering. D&D Securities Inc. has agreed to act as our placement agent in Canada in connection with the offering. Under the placement agency agreement, the placement agents have agreed, on a best efforts basis, to introduce us to investors who will purchase the common shares and warrants. The placement agents have no obligation to buy any of the common shares or warrants from us or to arrange the purchase or sale of any specific number or dollar amount of the common shares or warrants. We will enter into subscription agreements directly with investors in the United States in connection with this offering.

We have agreed to pay the placement agents an aggregate fee equal to 8% of the gross proceeds of this offering (excluding proceeds from the sale of units to certain prescribed purchasers). We have also agreed to reimburse Global Hunter Securities for reasonable and customary out-of-pocket expenses of up to US$90,000, which includes all legal expenses incurred by Global Hunter Securities for services provided by outside counsel of up to US$50,000 and other reasonable and customary out-of-pocket expenses incurred by Global Hunter Securities of up to US$40,000. We have also agreed to reimburse D&D Securities Inc. for reasonable and customary out-of-pocket expenses of up to $6,000, as well as all legal expenses incurred by D&D Securities Inc. for services provided by outside Canadian and US counsel of up to $65,000 and US$15,000, respectively.

Pursuant to the placement agency agreement, the placement agents have agreed to use their commercially reasonable best efforts to solicit offers to purchase the units on the terms and subject to the conditions set forth therein; provided, however, that (i) Global Hunter Securities will not solicit any offers to purchase units, and will not conduct any sales activity with regard to the units, in Canada or to persons who are residents of, or domiciled in Canada, and (ii) D&D Securities Inc. will not solicit any offers to purchase units, and will not conduct any sales activity with regard to the units, in the United States or to persons who are residents of, or domiciled in the United States.

To purchase units in this offering, any investors residing in California must either (A) have a minimum net worth of at least US$75,000 and have had minimum gross income of US$50,000 during the last tax year and have (based on a good faith estimate) minimum gross income of US$50,000 during the current tax year, or (B) have a minimum liquid net worth of US$150,000; provided that in either case the investment shall not exceed 10% of the liquid net worth of the investor. "Liquid net worth" is net worth excluding homes, home furnishings and automobiles. A "small investor" who has not purchased more than US$2,500 worth of our securities in the past 12 months prior to this offering may also purchase Units up to a maximum of US$2,500.

The following table shows the per unit and total fees we will pay to the placement agents assuming all of the common shares and warrants offered by this prospectus (other than the shares issuable upon exercise of the warrants) are issued and sold by us.

Placement Fees	Per Unit	Total
Common shares and warrants offered hereby	US$	US$

Because there is no minimum offering amount required as a condition to closing, the actual total may be less than the maximum total set forth above.

We estimate that our total expenses of this offering, excluding the placement agents fees, will be approximately US$600,000.

Our officers and directors have agreed that, with certain exceptions, they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any of our common shares or

securities convertible into or exchangeable or exercisable for any of our common shares, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common shares, whether any of these transactions are to be settled by delivery of our common shares or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of the placement agents, for a period of 90 days after the date of this prospectus.

It is a condition of closing that one of our significant shareholders, High Tech Beteiligungen GmbH & Co. KG, will agree that, with certain exceptions, it will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any of our common shares or securities convertible into or exchangeable or exercisable for any of our common shares, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common shares, whether any of these transactions are to be settled by delivery of our common shares or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of the placement agents, for a period commencing on the closing date of the offering and terminating on the earlier of 45 days after the closing of this offering and August 1, 2010. In addition, it is a condition of closing that the shareholder will agree that it will not, during this lock-up period, exercise its registration rights under the registration rights agreement with us dated August 30, 2006, as more fully described under the heading "Three-Year History of Securities Issuances — Registration Rights" below.

We have agreed to indemnify the placement agents against liabilities relating to the offering, including liabilities under the Securities Act of 1933 and applicable securities laws in the provinces and territories of Canada, or to contribute to payments that the placement agents may be required to make in that respect.

From time to time, the placement agents and their affiliates have provided, and may from time to time in the future provide, investment banking and other services to us for which they receive customary fees and commissions.

In the ordinary course of their business, the placement agents and their affiliates may actively trade or hold our securities for their own accounts or for the accounts of customers and, accordingly, may at any time hold long or short positions in these securities. In addition, from time to time, as a result of market making activities, the placement agents may own our common shares or other equity or debt securities issued by us or our affiliates.

DESCRIPTION OF SHARE CAPITAL

Common Shares

We are authorized to issue an unlimited number of common shares, no par value. As of May 25, 2010, we had 9,933,454 common shares issued and outstanding post-one-for-30 share consolidation.

The holders of our common shares are entitled to one vote per share at meetings of shareholders, to receive such dividends as declared by us and to receive our remaining property and assets upon dissolution or winding up. Our common shares are not subject to any future call or assessment and there are no pre-emptive, conversion or redemption rights attached to such common shares.

The transfer agent for the our common shares in Canada is Computershare Investor Services Inc. at its principal office in Toronto, Canada.

Warrants to Purchase Common Shares

August 2008 Warrants

We issued 14,269,444 warrants to purchase common shares pursuant to a rights offering completed on August 7, 2008. Pre-consolidation, each warrant represented the right to acquire one of our common shares at an exercise price of $0.18. Post-consolidation, each warrant permits the holder to purchase 0.04 common shares, for a total of 570,777 common shares, at an exercise price of $4.53 per whole common share. These warrants will expire on August 7, 2010.

The exercise price and number of common shares issuable on exercise of the warrants may be adjusted in certain circumstances, including in the event of a share reorganization, certain rights offerings, special distributions, and corporate reorganizations (including a reclassification or redesignation of the outstanding shares, a capital reorganization, a consolidation, merger, arrangement or amalgamation of the Company with another entity, or a sale of all or substantially all the Company's assets).

The warrant holders do not have the rights or privileges of holders of common shares or any voting rights until they exercise their warrants and receive common shares. After the issuance of common shares upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by shareholders.

The warrants were issued pursuant to a warrant indenture dated June 27, 2008 between us and the warrant agent for the August 2008 warrants, Computershare Trust Company of Canada at its principal office in Toronto, Canada.

November 2009 Warrants

We issued 20,499,996 warrants to purchase common shares to accredited investors pursuant to a private placement completed on November 27, 2009. Pre-consolidation, each warrant represents the right to acquire one of our common shares at an exercise price of $0.08. Post-consolidation, each warrant permits the holder to purchase 0.033 common shares, for a total of 683,327 common shares, at an exercise price of $2.40 per whole common share. These warrants will expire on May 27, 2011.

The exercise price and number of common shares issuable on exercise of the warrants may be adjusted in certain circumstances, including in the event of a share reorganization, stock dividend, a capital reorganization, a consolidation, merger, arrangement or amalgamation of the Company with another entity, or a sale of all or substantially all the Company's assets.

The warrant holders do not have the rights or privileges of holders of common shares or any voting rights until they exercise their warrants and receive common shares. After the issuance of

common shares upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by shareholders.

The November 2009 warrants were issued in the form of stand-alone warrant certificates issued by the Company. There was no warrant agent for the August 2008 warrants.

November 2009 Broker Warrants

We issued 2,152,000 broker warrants to purchase common shares to the agents for a private placement completed on November 27, 2009. Pre-consolidation, each broker warrant represents the right to acquire one of our common shares at an exercise price of $0.08. Post-consolidation, each warrant permits the holder to purchase 0.033 common shares, for a total of 71,747 common shares, at an exercise price of $2.40 per whole common share. These broker warrants will expire on May 27, 2011.

The exercise price and number of common shares issuable on exercise of the broker warrants may be adjusted in certain circumstances, including in the event of a share reorganization, stock dividend, a capital reorganization, a consolidation, merger, arrangement or amalgamation of the Company with another entity, or a sale of all or substantially all the Company's assets.

The broker warrant holders do not have the rights or privileges of holders of common shares or any voting rights until they exercise their broker warrants and receive common shares. After the issuance of common shares upon exercise of the broker warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by shareholders.

Alternate Compensation Plan

On November 30, 2009, our shareholders approved our alternate compensation plan, which provides our directors and senior management with the option of receiving director's fees, salary, bonuses or other remuneration in common shares rather than cash. Under the plan, each participant receives an allotment from treasury of such number of common shares as will be equivalent to the cash value of their remuneration determined by dividing the remuneration by the weighted average closing common share price for the five (5) trading days prior to the payment date. The issue price of the common shares is such 5-day volume weighted average closing price. There are currently no common shares allotted for issuance under this plan.

Three-Year History of Securities Issuances

Common Shares

We issued 28,538,889 common shares (952,296 common shares on a post-consolidation basis) pursuant to a rights offering completed on August 7, 2008. We issued 41,000,000 common shares (1,366,666 common shares on a post-consolidation basis) to accredited investors pursuant to a private placement on November 27, 2009. During the period June 1, 2007 to June 19, 2009, we issued a total of 16,205,170 common shares (540,172 common shares on a post-consolidation basis) at a weighted average price of $0.11 per common share ($3.24 per common share on a post-consolidation basis) as payment of interest on secured convertible debentures. The convertible debentures were repurchased on June 19, 2009. We have not issued any common shares pursuant to the exercise of options issued to directors, officers and employees under our 1993 and 2003 Stock Option Plans.

Warrants to Purchase Common Shares

We issued 14,269,444 warrants to purchase common shares pursuant to a rights offering completed on August 7, 2008. Pre-consolidation, each warrant represented the right to acquire one of our common shares at an exercise price of $0.18. Post-consolidation, each warrant permits the holder to purchase

0.04 common shares, for a total of 475,648 common shares, at an exercise price of $4.53 per whole common share. These warrants will expire on August 7, 2010. We issued 20,499,996 warrants to purchase common shares to accredited investors pursuant to a private placement completed on November 27, 2009. The agents for the private placement received 2,152,000 broker warrants to purchase common shares. Pre-consolidation, each warrant and broker warrant represented the right to acquire one of our common shares at an exercise price of $0.08. Post-consolidation, each warrant and broker warrant permits the holder to purchase 0.033 common shares, for a total of 683,327 and 71,747 commons shares, respectively, at an exercise price of $2.40 per whole common share. The warrants and broker warrants will expire on May 27, 2011.

Options to Purchase Common Shares

As at May 25, 2010, we have issued to our directors, officers and employees and contractors options to purchase 672,901 common shares at an average exercise price of $6.59 after giving effect to the one-for-30 share consolidation pursuant to our 1993 and 2003 Stock Option Plans. Details of these options are included under the heading "Summary of Compensation" in our Annual Report on Form 20-F for the fiscal year ended May 31, 2009, which is incorporated by reference into this prospectus.

Registration Rights

We have entered into a registration rights agreement with High Tech Beteiligungen GmbH & Co. KG, dated as of August 30, 2006. Under the terms of the registration rights agreement, High Tech has both demand and piggy-back registration rights with respect to the common shares it purchased from us effective August 30, 2006.

Under the demand registration rights, High Tech may request that we file a Canadian prospectus under Canadian securities legislation or a registration statement under the Securities Act of 1933 to register the resale of all or part of its registrable securities. High Tech may only request that we file a total of five Canadian prospectuses and registration statements.

Under the piggyback registration rights, if we propose to register any offering of our securities under the Securities Act of 1933 or Canadian securities legislation in connection with an underwritten offering, then we must give High Tech five trading days written notice prior to the date of the filing of the registration statement and offer to include the registrable securities in the offering. High Tech has 15 days after receiving the notice to request that we include the registrable securities.

If the managing underwriter or underwriters of any proposed underwritten offering informs us and High Tech in writing that the securities to be offered in the underwritten offering exceed the number that can be sold in the offering without being likely to have a significant adverse effect on the price, timing or distribution of the securities offered or the market for the securities offered, then there may be limits imposed on the number of registrable securities permitted to be included by High Tech in the offering.

The registrable securities cease to be registrable securities on the earliest to occur of:

- the first day that High Tech no longer owns any registrable securities;
- with respect to a registration under the Securities Act of 1933, the first day on which High Tech may sell all of its registrable securities in one transaction pursuant to Rule 144;
- with respect to a registration in Canada, the first day on which High Tech owns less than 10% of our outstanding common shares; and
- June 30, 2012.

See also "Plan of Distribution".

DESCRIPTION OF WARRANTS

Each purchaser of units will receive, for each unit purchased, one of our common shares and one half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one of our common shares at any time following the date of the closing of the offering until 5:00 p.m. (Eastern time) on the date that is five years following the closing of the offering. The initial exercise price per common share is US$, representing 125% of the unit offering price. Effective , 2011, the first anniversary of the closing date of the offering, the exercise price will be US$, representing 130% of the unit offering price. Effective , 2012, the second anniversary of the closing date of the offering, the exercise price will be US$, representing 135% of the unit offering price. Effective , 2013, the third anniversary of the closing date of the offering, the exercise price will be US$, representing 140% of the unit offering price. Effective , 2014, the fourth anniversary of the closing date of the offering, the exercise price will be US$, representing 145% of the unit offering price. The exercise price is subject to adjustment as summarized below. If at any time following , 2011, the first anniversary of the closing date of the offering, the closing price of our common shares on the principal market upon which our common shares are listed or traded has equaled or exceeded US$, representing 225% of offering price, for five consecutive trading days, we may, within five business days of such fifth consecutive trading day, call the warrants for cancellation by giving not less than 30 days notice to the holders of such cancellation. The warrants will continue to be exercisable following the notice of cancellation until the date of cancellation.

There is no market through which the warrants may be sold and purchasers may not be able to resell the warrants purchased in the offering. This may affect the pricing of the warrants in the secondary market, the transparency and availability of trading prices, the liquidity of such warrants, and the extent of issuer regulation.

Certificates representing the warrants forming part of the units will be issued on the closing of the offering. The rights evidenced by the warrants may be exercised by the holder by providing to us at 2 Meridian Road, Toronto Ontario, M9W 4Z7 the certificate representing the warrants and a duly completed notice of exercise together with payment of the exercise price in accordance with the terms of the warrants.

The terms of the warrants will provide for adjustment in the number of common shares issuable upon exercise and/or the exercise price per common share upon the occurrence of certain events, including:

- payment of a stock dividend or making of a distribution or distributions on our common shares or any other equity or equity equivalent securities payable in our common shares;
- subdivision of our outstanding common shares into a larger number of shares;
- combining (including by way of reverse stock split) our outstanding common shares into a smaller number of shares; or
- issuing by reclassification of our common shares any shares of the Company;

(any of such events in the previous four bullet points above being called a "common share reorganization")

- the issuance to all or substantially all of the holders of our common shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase common shares (or securities convertible into or exchangeable for common shares) at a price per share (or having a conversion or exchange price per share) which is less than 95% of the "current

market price", as defined in each certificate representing warrants, for our common shares on such record date (any such event being called a "Rights offering"); and

- the distribution to all shareholders of evidences of indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than common shares.

Each certificate representing the warrants will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the warrants and/or exercise price per security in the event of the following additional events:

- we consolidate or merge with or into another person;
- we sell, assign, transfer, convey or otherwise dispose of all or substantially all of our properties or assets to another person;
- we allow another person to make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of our outstanding common shares;
- we consummate a stock purchase agreement or other business combination (including a reorganization, recapitalization, spin-off or scheme of arrangement) with another person whereby the other person acquires more than the 50% of our outstanding common shares;
- we reorganize, recapitalize or reclassify our common shares; or
- any person or group becomes the beneficial owner, directly or indirectly, of 50% of the aggregate voting power represented by issued and outstanding common shares.

No adjustment to the exercise price or the number of warrant shares will be required to be made unless the cumulative effect of the such adjustment or adjustments would result in a change of at least 1% in the prevailing exercise price or a change in the number of common shares purchasable upon exercise by at least one common share, as the case may be.

We will also covenant that, during the period in which the warrants are exercisable, we will give notice to each registered holder of stated events, including events that would result in an adjustment to the exercise price for the warrants or the number of common shares issuable upon exercise of the warrants, at least seven days prior to the record date or effective date, as the case may be, of the event.

No fractional common shares will be issuable upon the exercise of any warrants. Warrantholders will not have any voting or pre-emptive rights or any other rights that a holder of common shares would have.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership and disposition of units acquired pursuant to this prospectus, the acquisition, ownership, and disposition of common shares acquired as part of the units, the exercise, disposition, and lapse of common share purchase warrants acquired as part of the Units, and the acquisition, ownership, and disposition of common shares received on exercise of the warrants.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of the acquisition of units pursuant to this prospectus. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Each U.S. Holder should consult its own tax advisors regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local tax, and foreign tax consequences relating to the acquisition, ownership and disposition of units, common shares, warrants, and common shares issued on exercise of the warrants.

No ruling from the Internal Revenue Service has been requested, or will be obtained, regarding the US. federal income tax considerations applicable to U.S. Holders as discussed in this summary. This summary is not binding on the Internal Revenue Service, and the Internal Revenue Service is not precluded from taking a position that is different from, and contrary to, the considerations discussed in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the Internal Revenue Service and the U.S. courts could disagree with one or more of the considerations discussed in this summary.

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended, (referred to in this prospectus as the Code), Treasury Regulations (whether final, temporary, or proposed) promulgated thereunder, published rulings of the Internal Revenue Service, published administrative positions of the Internal Revenue Service, U.S. court decisions and the Convention Between the United States of America and Canada with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (referred to in this prospectus as the U.S.-Canada Tax Convention), that are applicable and, in each case, as in effect and available, as of the date of this prospectus. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.

U.S. Holders

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of units, common shares comprising part of the units, warrants comprising part of the units, or common shares issued on exercise of the warrants, acquired pursuant to this prospectus that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;

- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

Non-U.S. Holders

For purposes of this summary, a "non-U.S. Holder" is a beneficial owner of units, common shares comprising part of the units, warrants comprising part of the units, or common shares issued on exercise of the warrants, that is not a U.S. Holder. This summary does not address the U.S. federal income tax consequences to non-U.S. Holders arising from or relating to the acquisition, ownership, and disposition of units, common shares comprising part of the units, warrants comprising part of the units, or common shares issued on exercise of the warrants. Accordingly, a non-U.S. Holder should consult its own tax advisors regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local tax, and foreign tax consequences (including the potential application of and operation of any income tax treaties) relating to the acquisition, ownership, and disposition of units, common shares comprising part of the units, warrants comprising part of the units, or common shares issued on exercise of the warrants.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including, without limitation: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are dealers in securities or currencies or U.S. Holders that are traders in securities that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a "functional currency" other than the U.S. dollar; (e) U.S. Holders that own units, common shares comprising part of the units, warrants comprising part of the units, or common shares issued on exercise of the warrants, as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) U.S. Holders that acquired units, common shares comprising part of the units, warrants comprising part of the units, or common shares issued on exercise of the warrants, in connection with the exercise of employee stock options or otherwise as compensation for services; (g) U.S. Holders that hold units, common shares comprising part of the units, warrants comprising part of the units, or common shares issued on exercise of the warrants, other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); (h) U.S. Holders that are partnerships and other pass-through entities (and investors in such partnerships and entities); or (i) U.S. Holders that own or have owned (directly, indirectly, or by attribution) 10% or more of the total combined voting power of our outstanding shares. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are (a) U.S. expatriates or former long-term residents of the U.S. subject to Section 877 of the Code, (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Canadian Tax Act (as defined below); (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold units, common shares comprising part of the units, warrants comprising part of the units, or common shares issued on exercise of the warrants, in connection with carrying on a business in Canada; (d) persons whose units, common shares comprising part of the units, warrants comprising part of the units, or common shares issued on exercise of the warrants, constitute "taxable Canadian property" under the Canadian Tax Act; or (e) persons that have a permanent

establishment in Canada for the purposes of the U.S.-Canada Tax Convention. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described above, should consult their own tax advisors regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local tax, and foreign tax consequences relating to the acquisition, ownership and disposition of units, common shares comprising part of the units, warrants comprising part of the units, or common shares issued on exercise of the warrants.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds units, common shares comprising part of the units, warrants comprising part of the units, or common shares issued on exercise of the warrants, the U.S. federal income tax consequences to such partnership and the partners of such partnership generally will depend on the activities of the partnership and the status of such partners. Partners of entities that are classified as partnerships for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership and disposition of units, common shares comprising part of the units, warrants comprising part of the units, or common shares issued on exercise of the warrants.

Tax Consequences Not Addressed

This summary does not address the U.S. state and local, U.S. federal estate and gift, U.S. federal alternative minimum tax or foreign tax consequences to U.S. Holders of the acquisition, ownership, and disposition of units, common shares comprising part of the units, warrants comprising part of the units, or common shares issued on exercise of the warrants. Each U.S. Holder should consult its own tax advisors regarding the U.S. state and local, U.S. federal estate and gift, U.S. federal alternative minimum tax and foreign tax consequences of the acquisition, ownership and disposition of units, common shares comprising part of the units, warrants comprising part of the units, or common shares issued on exercise of the warrants.

U.S. Federal Income Tax Consequences of the Acquisition of Units

For U.S. federal income tax purposes, the acquisition by a U.S. Holder of a unit will be treated as the acquisition of an "investment unit" consisting of two components: a component consisting of one common share and a component consisting of one half of one warrant. The purchase price for each unit will be allocated between these two components in proportion to their relative fair market values at the time the unit is purchased by the U.S. Holder. This allocation of the purchase price for each unit will establish a U.S. Holder's initial tax basis for U.S. federal income tax purposes in the common share and one half of one warrant that comprise each unit.

For this purpose, we will allocate $ of the purchase price for the unit to the common share and $ of the purchase price for each unit to the one half of one warrant. However, the Internal Revenue Service will not be bound by our allocation of the purchase price for the units, and, therefore, the Internal Revenue Service or a U.S. court may not respect the allocation set forth above. Each U.S. Holder should consult its own tax advisors regarding the allocation of the purchase price for the units.

Passive Foreign Investment Company Rules

If we are considered a "passive foreign investment company" under the meaning of Section 1297 of the Code (referred to in this prospectus as a PFIC) at any time during a U.S. Holder's holding period, the following sections generally will describe the U.S. federal income tax consequences to U.S. Holder's of the acquisition, ownership, and disposition of units, common shares comprising part of the units, warrants comprising part of the units, or common shares issued on exercise of the warrants. Under the recently enacted Hiring Incentives to Restore Employment Act, each United States person

who is a shareholder of a PFIC is required to file an annual report with the Internal Revenue Service, which filing would be in addition to any other information reporting requirements described in the section entitled "Information Reporting; Backup Withholding Tax."

Our PFIC Status

We generally will be a PFIC if, for any tax year, (a) 75% or more of our gross income for such tax year is passive income or (b) 50% or more of the value of our assets either produce passive income or are held for the production of passive income, based on the quarterly average of the fair market value of such assets. "Gross income" generally means all revenues less the cost of goods sold, and "passive income" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all of a foreign corporation's commodities are (a) stock in trade of such foreign corporation or other property of a kind which would properly be included in inventory of such foreign corporation, or property held by such foreign corporation primarily for sale to customers in the ordinary course of its trade or business, (b) property used in the trade or business of such foreign corporation that would be subject to the allowance for depreciation under Section 167 of the Code, or (c) supplies of a type regularly used or consumed by such foreign corporation in the ordinary course of its trade or business.

For purposes of the PFIC income test and asset test described above, if we own, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, we will be treated as if we (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and asset test described above, "passive income" does not include any interest, dividends, rents, or royalties that are received or accrued by us from a "related person" (as defined in Section 954(d)(3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income.

In addition, under certain attribution rules, if we are a PFIC, U.S. Holders will be deemed to own their proportionate share of any of our subsidiaries which is also a PFIC (referred to in this prospectus as a Subsidiary PFIC), and will be subject to U.S. federal income tax on their proportionate share of any (i) a distribution on the shares of a Subsidiary PFIC and (ii) a disposition or deemed disposition of common shares comprising a portion of the units of a Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC.

We believe that we were classified, and certain of our subsidiaries were classified, as PFICs during our tax year which ended May 31, 2009, and based on current business plans and financial expectations, we believe that we, and certain of our subsidiaries, may be PFICs for the current and future taxable years. The determination of whether any corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether any corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this prospectus. Accordingly, there can be no assurance that the Internal Revenue Service will not challenge any determination made by us (or a Subsidiary PFIC) concerning PFIC status or that the we (and any Subsidiary PFIC) were not, or will not be, a PFIC for any tax year. Each U.S. Holder should consult its own tax advisors regarding our PFIC status and the PFIC status of any of our subsidiaries.

Default PFIC Rules Under Section 1291 of the Code

If we are a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the purchase of units and the acquisition, ownership, and disposition of common shares comprising part of the units,

warrants comprising part of the units, and common shares issued on exercise of the warrants will depend on whether such U.S. Holder makes an election to treat us (and/or a Subsidiary PFIC) as a "qualified electing fund," or "QEF," under Section 1295 of the Code (referred to in this prospectus as a QEF Election) or makes a mark-to-market election under Section 1296 of the Code (referred to in this prospectus as a Mark-to-Market Election) with respect to common shares comprising part of the units, or common shares issued on exercise of the warrants. A U.S. Holder that does not make either a QEF Election or a Mark-to-Market Election will be referred to in this prospectus as a "Non-Electing U.S. Holder."

A Non-Electing U.S. Holder will be subject to the rules of Section 1291 of the Code with respect to (a) any gain recognized on the sale or other taxable disposition of common shares comprising part of the units, warrants comprising part of the units, and common shares issued on exercise of the warrants and (b) any excess distribution received on the common shares comprising part of the units, and common shares issued on exercise of the warrants. A distribution generally will be an "excess distribution" to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder's holding period for the common shares comprising part of the units, and common shares issued on exercise of the warrants, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of common shares comprising part of the units, warrants comprising part of the units, and common shares issued on exercise of the warrants of a PFIC (including an indirect disposition of common shares comprising part of the units of a Subsidiary PFIC), and any excess distribution received on such common shares comprising part of the units, and common shares issued on exercise of the warrants (or a distribution by a Subsidiary PFIC to its shareholder that is deemed to be received by a U.S. Holder) must be ratably allocated to each day in a Non-Electing U.S. Holder's holding period for the common shares comprising part of the units, and common shares issued on exercise of the warrants. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the entity became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax applicable to ordinary income in each such year, and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such year. A Non-Electing U.S. Holder that is not a corporation must treat any such interest paid as "personal interest," which is not deductible.

If we are a PFIC for any tax year during which a Non-Electing U.S. Holder holds common shares comprising part of the units, warrants comprising part of the units, or common shares issued on exercise of the warrants, we will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether we cease to be a PFIC in one or more subsequent tax years. If we cease to be a PFIC, a Non-Electing U.S. Holder may terminate this deemed PFIC status with respect to common shares comprising part of the units, and common shares issued on exercise of the warrants by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such common shares comprising part of the units, and common shares issued on exercise of the warrants were sold on the last day of the last tax year for which we were a PFIC. No such election, however, may be made with respect to warrants.

Under proposed Treasury Regulations, if a U.S. holder has an option, warrant or other right to acquire stock of a PFIC (such as the units or the warrants offered pursuant to this prospectus), such option, warrant or right is considered to be PFIC stock subject to the default rules of Section 1291 of the Code. Under rules described below, the holding period for the common shares issued on exercise of the warrants will begin on the date a U.S. Holder acquires the units. This will impact the availability of the QEF Election and Mark-to-Market Election with respect to the common shares issued on exercise of the warrants. Thus, a U.S. Holder will have to account for the common shares issued on

exercise of the warrants and the common shares comprising part of the units under the PFIC rules and the applicable elections differently. See the discussion below under "QEF Election" and under "Market-to-Market Election."

QEF Election

A U.S. Holder that makes a QEF Election for the first tax year in which its holding period of its common shares comprising part of the units begins generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to its common shares comprising part of the units. However, a U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such U.S. Holder's pro rata share of (a) our net capital gain, which will be taxed as long-term capital gain to such U.S. Holder, and (b) and our ordinary earnings, which will be taxed as ordinary income to such U.S. Holder. Generally, "net capital gain" is the excess of (a) net long-term capital gain over (b) net short-term capital loss, and "ordinary earnings" are the excess of (a) "earnings and profits" over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which we are a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder by us. However, for any tax year in which we are a PFIC and have no net income or gain, U.S. Holders that have made a QEF Election generally would not have any income inclusions as a result of the QEF Election. If a U.S. Holder that made a QEF Election has an income inclusion, such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as "personal interest," which is not deductible.

A U.S. Holder that makes a QEF Election generally (a) may receive a tax-free distribution from us to the extent that such distribution represents our "earnings and profits" that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder's tax basis in the Unit Shares to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of common shares comprising part of the units.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is "timely." A QEF Election will be treated as timely if such QEF Election is made for the first year in the U.S. Holder's holding period for the Unit Shares in which we were a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year.

A QEF Election will apply to the tax year for which such QEF Election is made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the Internal Revenue Service consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election, and, in a subsequent tax year, we cease to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which we are not a PFIC. Accordingly, if we become a PFIC in another subsequent tax year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during any subsequent tax year in which we qualify as a PFIC.

As discussed above, under proposed Treasury Regulations, if a U.S. holder has an option, warrant or other right to acquire stock of a PFIC (such as the units or the warrants offered pursuant to this prospectus), such option, warrant or right is considered to be PFIC stock subject to the default rules of Section 1291 of the Code. However, a holder of an option, warrant or other right to acquire stock of a PFIC may not make a QEF Election that will apply to the option, warrant or other right or to acquire

PFIC stock. In addition, under proposed Treasury Regulations, if a U.S. Holder holds an option, warrant or other right to acquire stock of a PFIC, the holding period with respect to shares of stock of the PFIC acquired upon exercise of such option, warrant or other right will include the period that the option, warrant or other right was held.

Consequently, if a U.S. Holder of common shares comprising part of the units makes a QEF Election, such election generally will not be treated as a timely QEF Election with respect to common shares issued on exercise of the warrants, and the rules of Section 1291 of the Code discussed above will continue to apply with respect to such U.S. Holder's common shares issued on exercise of the warrants. However, a U.S. Holder of common shares issued on exercise of the warrants should be eligible to make a timely QEF Election if such U.S. Holder elects in the tax year in which such common shares issued on exercise of the warrants are received to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such common shares issued on exercise of the warrants were sold for fair market value on the date such U.S. Holder acquired them. In addition, gain recognized on the sale or other taxable disposition (other than by exercise) of the warrants by a U.S. Holder will be subject to the rules of Section 1291 of the Code discussed above. Each U.S. Holder should consult its own tax advisors regarding the application of the PFIC rules to the units, common shares comprising part of the units, warrants comprising part of the units, and common shares issued on exercise of the warrants.

We will make available to U.S. Holders, upon their written request, timely and accurate information as to our status as a PFIC and the PFIC status of any subsidiary in which the we own more than 50% of such subsidiary's total aggregate voting power and, for each year in which we are a PFIC, we will use commercially reasonable efforts to provide to a U.S. Holder information and documentation that a U.S. Holder making a QEF Election is required to obtain for U.S. federal income tax purposes. We may elect to provide such information on our Web site (http://www.lorusthera.com). Because we may not acquire or own more than 50% of the aggregate voting power of one or more Subsidiary PFICs, U.S. Holders should be aware that, with respect to any Subsidiary PFIC, there can be no assurance that we will satisfy record keeping requirements that apply to a QEF, or that we will supply U.S. Holders with information that such U.S. Holders require in order to report under the QEF rules, in the event that we are a PFIC and a U.S. Holder wishes to make a QEF Election with respect to such Subsidiary PFIC. With respect to Subsidiary PFICs for which we do not obtain the required information, U.S. Holders will continue to be subject to the rules discussed above with respect to the taxation of gains and excess distributions. Each U.S. Holder should consult its own tax advisors regarding the availability of, and procedure for making, a QEF Election with respect to us and any Subsidiary PFIC.

Mark-to-Market Election

A U.S. Holder may make a Mark-to-Market Election only if the common shares comprising part of the units, and common shares issued on exercise of the warrants are "marketable stock." The common shares comprising part of the units, and common shares issued on exercise of the warrants generally will be "marketable stock" if the common shares comprising part of the units, and common shares issued on exercise of the warrants are regularly traded on (a) a national securities exchange that is registered with the Securities and Exchange Commission, (b) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934, or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure, and other requirements and the laws of the country in which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced and (ii) the rules of such foreign exchange ensure active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be "regularly traded"

for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter.

A U.S. Holder that makes a Mark-to-Market Election with respect to its common shares comprising part of the units generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to such common shares comprising part of the units. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder's holding period for the common shares comprising part of the units, or such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, the common shares comprising part of the units.

Any Mark-to-Market Election made by a U.S. Holder for the common shares comprising part of the units will also apply to such U.S. Holder's common shares issued on exercise of the warrants. As a result, if a Market-to-Market Election has been made by a U.S. Holder with respect to common shares comprising part of the units, any common shares issued on exercise of the warrants received will automatically be marked-to-market in the year of exercise. Because a U.S. Holder's holding period for common shares issued on exercise of the warrants includes the period during which such U.S. Holder held the warrants, a U.S. Holder will be treated as making a Mark-to-Market Election with respect to its common shares issued on exercise of the warrants after the beginning of such U.S. Holder's holding period for the common shares issued on exercise of the warrants unless the common shares issued on exercise of the warrants are acquired in the same tax year as the year in which the U.S. Holder acquired its units. Consequently, the default rules under Section 1291 described above generally will apply to the mark-to-market gain realized in the tax year in which common shares issued on exercise of the warrants are received. However, the general mark-to-market rules will apply to subsequent tax years.

A U.S. Holder that makes a Mark-to-Market Election will include in ordinary income, for each tax year in which we are a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the common shares comprising part of the units and any common shares issued on exercise of the warrants, as of the close of such tax year over (b) such U.S. Holder's tax basis in the common shares comprising part of the units and any common shares issued on exercise of the warrants. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (i) such U.S. Holder's adjusted tax basis in the common shares comprising part of the units and any common shares issued on exercise of the warrants, over (ii) the fair market value of such common shares comprising part of the units and any common shares issued on exercise of the warrants (but only to the extent of the net amount of previously included income as a result of the Mark-to-Market Election for prior tax years).

A U.S. Holder that makes a Mark-to-Market Election generally also will adjust such U.S. Holder's tax basis in the common shares comprising part of the units and the common shares issued on exercise of the warrants to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of common shares comprising part of the units and the common shares issued on exercise of the warrants, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or ordinary loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years).

A Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless the common shares comprising part of the units and the common shares issued on exercise of the warrants cease to be "marketable stock" or the Internal Revenue Service consents to revocation of such election. Each U.S. Holder should consult its own tax advisors regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to the common shares comprising part of the units and the common shares issued on exercise of the warrants, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to eliminate the interest charge described above with respect to deemed dispositions of Subsidiary PFIC stock or distributions from a Subsidiary PFIC.

Other PFIC Rules

Under Section 1291(f) of the Code, the Internal Revenue Service has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of common shares comprising part of the units and the common shares issued on exercise of the warrants that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which common shares comprising part of the units, warrants and the common shares issued on exercise of the warrants are transferred.

Certain additional adverse rules will apply with respect to a U.S. Holder if we are a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example under Section 1298(b)(6) of the Code, a U.S. Holder that uses common shares comprising part of the units, warrants or the common shares issued on exercise of the warrants as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such common shares comprising part of the units, warrants or the common shares issued on exercise of the warrants.

In addition, a U.S. Holder who acquires common shares comprising part of the units, warrants or the common shares issued on exercise of the warrants from a decedent will not receive a "step up" in tax basis of such common shares comprising part of the units, warrants or the common shares issued on exercise of the warrants to fair market value.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to such special rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC generally are eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complicated, and a U.S. Holder should consult with its own tax advisors regarding the availability of the foreign tax credit with respect to distributions by a PFIC.

The PFIC rules are complex, and each U.S. Holder should consult its own tax advisors regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares comprising part of the units, warrants and the common shares issued on exercise of the warrants.

U.S. Federal Income Tax Consequences of the Exercise and Disposition of Warrants

Exercise of Warrants

A U.S. Holder should not recognize gain or loss on the exercise of a warrant and related receipt of a common share issued on exercise of the warrant (unless cash is received in lieu of the issuance of a fractional common share issued on exercise of the warrant). A U.S. Holder's initial tax basis in the common share received on the exercise of a warrant should be equal to the sum of (a) such U.S. Holder's tax basis in such warrant plus (b) the exercise price paid by such U.S. Holder on the exercise of such warrant. If, as anticipated, we are a PFIC, a U.S. Holder's holding period for the common share issued on exercise of the warrant should begin on the date on which such U.S. Holder acquired its units.

Disposition of Warrants

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of a warrant in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in the warrant sold or otherwise disposed of. As noted below under "Disposition of Common Shares Comprising Part of Units and Common Shares Issued on Exercise of Warrants", such gain or loss generally will be treated as "U.S. source" for purposes of the U.S. foreign tax credit calculations. Any gain generally will be subject to the rules of Section 1291 of the Code, as discussed above. Any such loss generally will be a capital loss and will be long-term capital loss if the warrant is held for more than one year.

Expiration or Cancellation of Warrants Without Exercise

Subject to the PFIC rules discussed above, upon the lapse or expiration of a warrant or on cancellation by the Company as described under "Description of Warrants," a U.S. Holder will recognize a loss in an amount equal to such U.S. Holder's tax basis in the warrant. Any such loss generally will be a capital loss and will be long-term capital loss if the warrants are held for more than one year. Deductions for capital losses are subject to complex limitations under the Code.

Certain Adjustments to the Warrants

Under Section 305 of the Code, an adjustment to the number of common shares that will be issued on the exercise of the warrants, or an adjustment to the exercise price of the warrants, may be treated as a constructive distribution to a U.S. Holder of the warrants if, and to the extent that, such adjustment has the effect of increasing such U.S. Holder's proportionate interest in our "earnings and profits" or assets, depending on the circumstances of such adjustment (for example, if such adjustment is to compensate for a distribution of cash or other property to our shareholders). (See more detailed discussion of the rules applicable to distributions made by us at "U.S. Federal Income Tax Consequences of the Acquisition, Ownership, and Disposition of Common Shares Comprising Part of Units and Common Shares Issued on Exercise of Warrants — Distributions on Common Shares Comprising Part of Units and Common Shares Issued on Exercise of Warrants" below).

U.S. Federal Income Tax Consequences of the Ownership and Disposition of Common Shares Comprising Part of Units and Common Shares Issued on Exercise of Warrants

If we are not treated as a PFIC with respect to a U.S. Holder, and with respect to any U.S. Holder that has recognized unrealized gain as of the last day of the taxable year in which we are a PFIC and we are no longer a PFIC in the current taxable year, or with respect to any U.S. Holder that made a timely QEF election and we are no longer a PFIC in the current taxable year, the U.S. Holder generally will not be subject to the rules described above under the heading "Passive Foreign Investment Company Rules." Instead, the U.S. Holder will have the tax consequences described below.

Distributions on Common Shares Comprising Part of Units and Common Shares Issued on Exercise of Warrants

Subject to the PFIC rules discussed above, a U.S. Holder that receives a distribution, including a constructive distribution, with respect to a common share comprising part of a unit and a common share issued on exercise of a warrant will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of our current or accumulated "earnings and profits", as computed for U.S. federal income tax purposes. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates. To the extent that a distribution exceeds our current and accumulated "earnings and profits", such distribution will be treated first as a tax-free return of capital to the extent of a

U.S. Holder's tax basis in the common shares comprising part of the units and common shares issued on exercise of the warrants and thereafter as gain from the sale or exchange of such common shares comprising part of the units and common shares issued on exercise of the warrants. (See "Sale or Other Taxable Disposition of Common Shares Comprising Part of Units and/or Common Shares Issued on Exercise of Warrants" below). However, we may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution by us with respect to the common shares comprising part of the units or common shares issued on exercise of the warrants will constitute ordinary dividend income. Dividends received on common shares comprising part of the units or common shares issued on exercise of the warrants generally will not be eligible for the "dividends received deduction". In addition, we anticipate that our distributions will not be eligible for the preferential tax rates applicable to long-term capital gains and generally will be taxed at ordinary income tax rates. The dividend rules are complex, and each U.S. Holder should consult its own tax advisors regarding the application of such rules.

Sale or Other Taxable Disposition of Common Shares Comprising Part of Units and/or Common Shares Issued on Exercise of Warrants

Subject to the PFIC rules discussed above, upon the sale or other taxable disposition of common shares comprising part of the units or common shares issued on exercise of the warrants, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between (i) the amount of cash plus the fair market value of any property received and (ii) such U.S. Holder's tax basis in such common shares comprising part of the units or common shares issued on exercise of the warrants sold or otherwise disposed of. Subject to the PFIC rules discussed above, gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the common shares comprising part of the units or common shares issued on exercise of the warrants have been held for more than one year.

Gain or loss recognized by a U.S. Holder on the sale or other taxable disposition of common shares comprising part of the units or common shares issued on exercise of the warrants generally will be treated as "U.S. source" for purposes of applying the U.S. foreign tax credit rules unless the gain is subject to tax in Canada and is resourced as "foreign source" under the Canada-U.S. Tax Convention and such U.S. Holder elects to treat such gain or loss as "foreign source." (See more detailed discussion at "Foreign Tax Credit" below).

Preferential tax rates apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency or on the sale, exchange or other taxable disposition of common shares comprising part of the units, warrants or common shares issued on exercise of the warrants generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). If the foreign currency received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who receives payment in foreign currency and engages in a subsequent conversion or other disposition of the foreign currency may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Each U.S. Holder should consult its own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder who pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the common shares comprising part of the units and common shares issued on exercise of the warrants generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax paid. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a tax year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." In addition, this limitation is calculated separately with respect to specific categories of income. Dividends paid by us generally will constitute "foreign source" income and generally will be categorized as "passive category income." The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisors regarding the foreign tax credit rules.

Information Reporting; Backup Withholding Tax

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns, and, if applicable, any Mark-to-Market Elections or QEF Elections.

Payments made within the U.S., or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from the sale or other taxable disposition of the common shares comprising part of the units and common shares issued on exercise of the warrants generally may be subject to information reporting and backup withholding tax, at the rate of 28%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the Internal Revenue Service that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the Internal Revenue Service has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons, such as U.S. Holders that are corporations, generally are excluded from these information reporting and backup withholding tax rules. Any amounts withheld under the U.S. backup withholding tax rules generally will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the Internal Revenue Service in a timely manner. Each U.S. Holder should consult its own tax advisors regarding the information reporting and backup withholding tax rules.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a brief description of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) (referred to in this prospectus as the Canadian Tax Act), as of the date of this prospectus, generally applicable to a person of acquiring, holding and disposing of our common shares and warrants where, at all relevant times for purposes of the Canadian Tax Act and any applicable income tax treaty or convention, such holder (i) holds its common shares and warrants as capital property, (ii) deals at arm's length and is not affiliated with us, (iii) is not resident, nor deemed to be resident, in Canada, and (iv) does not use or hold and is not deemed to use or hold common shares or warrants in connection with carrying on a business in Canada (referred to in this prospectus as a Non-Canadian Holder).

Special rules, which are not discussed in this summary, may apply to a Non-Canadian Holder that is an insurer carrying on business in Canada and elsewhere or an authorized foreign bank. Such holders should consult their own tax advisors. This summary does not apply in respect of a disposition of common shares to Lorus and assumes that, at all relevant times, Lorus will be a resident of Canada for purposes of the Canadian Tax Act and the common shares will be listed on the Toronto Stock Exchange.

For purposes of the Canadian Tax Act, all amounts relating to the acquisition, holding or disposition of common shares and warrants, including dividends, adjusted cost base amounts and proceeds of disposition, must be converted into Canadian dollars as determined in accordance with the rules in the Canadian Tax Act.

This summary is based on the provisions of the Canadian Tax Act and the regulations thereunder (referred to in this prospectus as the Regulations) in force on the date of this prospectus and the current administrative policies and practices of the Canada Revenue Agency published in writing by the Canada Revenue Agency prior to the date of this prospectus. This summary takes into account all specific proposals to amend the Canadian Tax Act and the Regulations which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this prospectus (referred to in this prospectus as the Proposed Amendments) and assumes that all such Proposed Amendments will be enacted in their present form. No assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action, or changes in the administrative policies and practices of the Canada Revenue Agency.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice or representations to any particular Non-Canadian Holder. This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to a Non-Canadian Holder in respect of its common shares and warrants. The income or other tax consequences will vary depending on a Non-Canadian Holder's particular circumstances, including the country or other jurisdiction in which such holder resides or carries on business. This summary does not take into account provincial, territorial or foreign income tax legislation or considerations which may differ materially from those described herein.

Non-Canadian Holders should consult their own legal and tax advisors with respect to the tax consequences to them having regard to their particular circumstances.

Acquisition of Common Shares and Warrants

Common shares and warrants comprising units that are acquired by a Non-Canadian Holder will generally have a cost to such holder equal to the unit subscription price paid. This cost must be allocated by the Non-Canadian Holder between the common shares and the warrants on a reasonable basis. The adjusted cost base of each common share held by a Non-Canadian Holder will be averaged

with the adjusted cost base of each other common share held by such holder. Non-Canadian Holders should refer to Lorus' allocation of the purchase price between the common shares and the warrants, as described herein under "Certain U.S. Federal Income Tax Considerations — U.S. Federal Income Tax Consequences of the Acquisition of Units". Such allocation is not binding on the Canada Revenue Agency and each Non-Canadian Holder should consult its own tax advisors regarding the allocation of the purchase price for the units.

Dividends on the Common Shares

Dividends paid or credited, or deemed to be paid or credited, on the common shares to a Non-Canadian Holder will be subject to withholding tax under the Canadian Tax Act at a rate of 25%, subject to reduction under the provisions of an applicable tax treaty or convention.

For example, under the U.S.-Canada Tax Convention the withholding tax rate is generally reduced to 15% in respect of a dividend paid to a person who is the beneficial owner of the dividend and who is resident in the United States for purposes of the U.S.-Canada Tax Convention. Where a Non-Canadian Holder is a fiscally transparent entity within the meaning of the U.S.-Canada Tax Convention (for example, a United States limited liability company that is disregarded for United States tax purposes) a reduced rate of withholding tax may be available based on a look-through approach described under the U.S.-Canada Tax Convention. Subject to certain detailed rules in the U.S.-Canada Tax Convention, the benefits of the U.S.-Canada Tax Convention (such as reduced rates of withholding tax) are only available to qualifying persons (the "LOB constraints"), as defined in the U.S.-Canada Tax Convention. A "qualifying person" for this purpose generally includes a person which is a resident of the United States for purposes of the U.S.-Canada Tax Convention which is a natural person or a company whose principal and other classes of shares are listed and primarily and regularly traded on a recognized stock exchange. Non-Canadian Holders seeking to rely on the U.S.-Canada Tax Convention should consult their tax advisors concerning the applicability of tax treaty benefits and the LOB constraints, having regard to their particular circumstances. Under the U.S.-Canada Tax Convention, a dividend paid to certain tax-exempt entities that are resident in the United States may be exempt from Canadian withholding tax levied in respect of dividends paid on the common shares. Such tax-exempt entities should consult their own tax advisors.

A Non-Canadian Holder should consult its own tax advisors regarding its ability to claim foreign tax credits with respect to any Canadian withholding tax.

Exercise of Warrants

The exercise of warrants will not constitute a disposition of property for purposes of the Canadian Tax Act and, consequently, no gain or loss will be realized by a Non-Canadian Holder upon the exercise of warrants. Common shares acquired by a Non-Canadian Holder upon the exercise of warrants will have a cost to the Non-Canadian Holder equal to the aggregate of the exercise price and the adjusted cost base to the Non-Canadian Holder of the exercised warrants. The cost of each common share held by a Non-Canadian Holder will be averaged with the adjusted cost base of each other common share held by the Non-Canadian Holder.

Disposition of Common Shares

A Non-Canadian Holder will not be subject to tax under the Canadian Tax Act in respect of any capital gain realized on the disposition of its common shares, unless the common shares constitute or are deemed to constitute "taxable Canadian property" (as defined in the Canadian Tax Act) to such holder and the Non-Canadian Holder is not entitled to relief under the terms of any applicable tax treaty.

In general, provided the common shares are listed on a "designated stock exchange" (which currently includes the Toronto Stock Exchange), the common shares will only constitute "taxable Canadian property" of a Non-Canadian Holder where at any time within the 60-month period preceding the disposition: (i) such Non-Canadian Holder has, either alone or in combination with persons with whom the holder does not deal at arm's length, owned (or had an option to acquire) 25% or more of the issued shares of any class or series of our capital stock, and (ii) more than 50% of the fair market value of the common shares was derived directly or indirectly from one or any combination of (A) real or immovable property situated in Canada, (B) Canadian resource properties, (C) timber resource properties, and (D) options in respect of, or interests in, or for civil law rights in, property described in any of subparagraphs (ii)(A) to (C), whether or not the property exists. However, and despite the foregoing, in certain circumstances the common shares may be deemed to be "taxable Canadian property" under the Canadian Tax Act.

Subject to an exemption pursuant to an applicable tax treaty or convention, a Non-Canadian Holder will be subject to tax under the Canadian Tax Act in respect of a capital gain realized on the disposition of the common shares where the common shares are "taxable Canadian property". Such Non-Canadian Holder will realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition for such common shares, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such common shares to the Non-Canadian Holder. A Non-Canadian Holder will be required to include one-half of the amount of any resulting capital gain (a "taxable capital gain") in income, and will be required to deduct one-half of the amount of any resulting capital loss (an "allowable capital loss") against taxable capital gains realized in the year of disposition. Allowable capital losses not deducted in the taxation year in which they are realized may be carried back and deducted in any of the three preceding years, or carried forward and deducted in any following year, against taxable capital gains realized in such years, to the extent and under the circumstances specified in the Canadian Tax Act.

Under the U.S.-Canada Tax Convention, a person who is resident in the United States for purposes of the U.S.-Canada Tax Convention who realizes a capital gain on a disposition of shares which do not derive their value principally from real property situated in Canada is generally exempt from tax in respect of the capital gain under the Canadian Tax Act. These provisions are subject to the LOB constraints (described above). Non-Canadian Holders to whom the common shares constitute "taxable Canadian property" should consult their own tax advisors.

Disposition or Expiry of Warrants

A Non-Canadian Holder will not be subject to tax under the Canadian Tax Act in respect of any capital gain realized on the disposition of a warrant, unless the warrant constitutes or is deemed to constitute "taxable Canadian property" (as defined in the Canadian Tax Act) to such holder and the Non-Canadian Holder is not entitled to relief under the terms of any applicable tax treaty. A warrant will generally constitute "taxable Canadian property" where the underlying common shares represent "taxable Canadian property", as described above. Refer to the above description of the treatment of capital gains in respect of property which constitutes "taxable Canadian property".

Upon the expiry of an unexercised warrant, a Non-Canadian Holder will realize a capital loss equal to the adjusted cost base of the warrant to such holder. Refer to the above description of the treatment of capital losses.

MATERIAL CONTRACTS

Other than the agreements described under the heading "Additional Information — Material Contracts" in our Annual Report on Form 20-F for the fiscal year ended May 31, 2009, which is incorporated by reference into this prospectus, we have not, in the two years preceding the date of this prospectus, entered into any material contracts other than contracts in the ordinary course of business.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common shares. We currently intend to retain our future earnings, if any, for future growth and development of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board or directors and will depend on our results of operations, financial conditions, contractual and legal restrictions and other factors the board deems relevant.

EXPERTS

KPMG LLP, independent registered public accounting firm, has audited our consolidated financial statements as at May 31, 2009 and 2008 and for each of the years in the three-year period ended May 31, 2009, as set forth in their report thereon appearing in our Annual Report on Form 20-F for the year ended May 31, 2009, incorporated by reference herein. We have incorporated by reference our consolidated financial statements in this prospectus in reliance on KPMG LLP's report, given on their authority as experts in accounting and auditing.

LEGAL MATTERS

Certain legal matters with respect to Canadian law and with respect to the validity of the common shares and warrants comprising the units will be passed upon for us by McCarthy Tétrault LLP, Toronto, Ontario, Canada. Certain legal matters with respect to United States law will be passed upon for us by Dorsey & Whitney LLP, Vancouver, British Columbia, Canada and Seattle, Washington.

EXPENSES RELATING TO THIS OFFERING

The expenses relating to the offering are estimated to be as follows:

Securities and Exchange Commission registration fee	$ 1,248
Toronto Stock Exchange listing fee	$
Printing expenses	$
Accounting fees and expenses	$
Legal fees and expenses	$
Blue Sky and FINRA fees	$
Miscellaneous	$
Total	$

ADDITIONAL INFORMATION

We are subject to the reporting requirements for foreign private issuers under the Securities Exchange Act of 1934, and, in accordance therewith, we file reports and other information with the SEC through its Electronic Document Gathering Retrieval System, which is commonly known by the acronym EDGAR and may be accessed at www.sec.gov. In addition, we are subject to continuous disclosure obligations under Canadian securities laws. Therefore, we file disclosure documents, reports, statements and other information with the securities commissions or similar regulatory authorities in

Canada. We make our filings on the Canadian System for Electronic Document Analysis and Retrieval, which is commonly known by the acronym SEDAR and which may be accessed at www.sedar.com. SEDAR is the Canadian equivalent of EDGAR. In addition, our documents may be viewed at our head office located at 2 Meridian Road Toronto, Ontario, Canada M9W 4Z7.

We have filed with the SEC a registration statement on Form F-1 under the Securities Act of 1933, with respect to the offer and sale of our common shares pursuant to this prospectus. This prospectus, which is a part of the registration statement, does not contain all of the information contained in the registration statement or the exhibits and schedules to the registration statement, and you should refer to the complete registration statement. Statements made in this prospectus concerning the contents of any contract, agreement or other document filed as an exhibit to the registration statement are summaries of all of the material terms of such contracts, agreements or documents, but do not repeat all of their terms. Reference is made to each such exhibit for a more complete description of the matters involved and the summary statements are qualified in their entirety by reference to the complete document filed as an exhibit. The registration statement and its exhibits, and the reports and other information we have filed with the SEC under the Securities Exchange Act of 1934, may be inspected and copied by the public at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 or access its website at www.sec.gov for further information about the public reference rooms. Our filings are also available electronically from EDGAR, as well as from commercial document retrieval services.

We are a "foreign private issuer" as defined in the Securities Exchange Act of 1934. Therefore, notwithstanding the fact that we may be required to file reports and other information with the SEC, we are exempt from some disclosure and procedural requirements of the Securities Exchange Act of 1934 related to proxy solicitations. Our officers, directors and principal shareholders are also exempt from the insider reporting and "short swing" profits recovery provisions contained in Section 16 of the Securities Exchange Act of 1934 and the related rules and regulations.

DOCUMENTS INCORPORATED BY REFERENCE

The SEC allows us to "incorporate by reference" into this prospectus the information we file with, and furnish to, it, which means that we can disclose important information to you by referring you to those filed documents. The information incorporated by reference is considered to be a part of this prospectus, and certain information that we file or furnish with SEC after the date of this prospectus may update and supersede the information in this prospectus, as indicated in that filing. We hereby incorporate by reference the documents listed below:

- our Annual Report on Form 20-F for the fiscal year ended May 31, 2009, filed with the SEC on November 30, 2009;
- our Interim Financial Statements and Management's Discussion and Analysis for the three and nine months ended February 28, 2010, included as Exhibits 99.2 and 99.3 to the Report of Foreign Issuer on Form 6-K, furnished to the SEC on April 15, 2010;
- our Supplementary Information: Reconciliation of Canadian and United States Generally Accepted Accounting Principles for the three and nine months ended February 28, 2010, included as Exhibit 99.4 to the Report of Foreign Issuer on Form 6-K furnished to the SEC on April 15, 2010;
- our Management Information Circular dated October 26, 2009 for the annual and special meeting held on November 30, 2009, included as Exhibit 99.1 to the Report of Foreign Issuer on Form 6-K furnished to the SEC on November 6, 2010;
- our Report of Foreign Issuer on Form 6-K furnished to the SEC on October 15, 2009;

- our Report of Foreign Issuer on Form 6-K furnished to the SEC on March 12, 2010;
- our Report of Foreign Issuer on Form 6-K furnished to the SEC on April 15, 2010;
- our Report of Foreign Issuer on Form 6-K furnished to the SEC on April 23, 2010; and
- each of our Reports of Foreign Issuer on Form 6-K furnished to the SEC on June 1, 2010 (other than our Report of Foreign Issuer on Form 6-K that includes a news release dated June 1, 2010).

This prospectus may contain information that updates or modifies information in one or more of the documents incorporated by reference in this prospectus.

You may request a paper copy of our SEC filings, at no cost, by writing to or telephoning us at the following address:

Elizabeth Williams, Director of Finance
Tel: (416) 798-1200, Extension 372
Fax: 416 798-2200
E-mail: ewilliams@lorusthera.com
Address: 2 Meridian Road, Toronto, Ontario M9W 4Z7

These reports may also be obtained on our website at www.lorusthera.com. We have included our website address only as an inactive textual reference and none of the information on our website is a part of this prospectus.

ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated under the laws of Canada. Many of our directors and officers, and some of the experts named in this prospectus, are residents of Canada or otherwise reside outside the United States, and all or a substantial portion of their assets, and all or a substantial portion of our assets, are located outside the United States. We have appointed an agent for service of process in the United States, but it may be difficult for shareholders who reside in the United States to effect service within the United States upon those directors, officers and experts who are not residents of the United States. It may also be difficult for shareholders who reside in the United States to realize in the United States upon judgments of courts of the United States predicated upon our civil liability and the civil liability of our directors, officers and experts under the United States federal securities laws. We have been advised by our Canadian counsel, McCarthy Tétrault LLP, that a judgment of a United States court predicated solely upon civil liability under United States federal securities laws or the securities or "blue sky" laws of any state within the United States, would probably be enforceable in Canada if the United States court in which the judgment was obtained has a basis for jurisdiction in the matter that would be recognized by a Canadian court for the same purposes. Not withstanding this, we have also been advised by McCarthy Tétrault LLP, that there is doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon United States federal securities laws.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 6. Indemnification of Directors and Officers

Under the *Canada Business Corporations Act* (the "CBCA"), the registrant may indemnify its current or former directors or officers or another individual who acts or acted at the registrant's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of his or her association with the registrant or another entity. The CBCA also provides that the registrant may also advance moneys to a director, officer or other individual for costs, charges and expenses reasonably incurred in connection with such a proceeding.

However, indemnification is prohibited under the CBCA unless the individual:

- acted honestly and in good faith with a view to the registrant's best interests, or the best interests of the other entity for which the individual acted as director or officer or in a similar capacity at the registrant's request;
- in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the individual had reasonable grounds for believing that his or her conduct was lawful; and
- was not judged by the court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done.

The registrant's by-law No. 2 provides that the registrant will indemnify its directors or officers, former directors or officers or other individuals who act or have acted at the registrant's request as a director or officer, or in a similar capacity, of another entity, and his or her heirs and legal representatives to the extent permitted by the CBCA.

The registrant's by-law No. 2 further provides that, except as otherwise required by the CBCA, the registrant may from time to time indemnify and save harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the registrant) by reason of the fact that he or she is or was an employee or agent of the registrant, or is or was serving at the request of the registrant as an employee, agent of or participant in another entity against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted honestly and in good faith with a view to the best interests of the registrant or, as the case may be, to the best interests of the other entity for which he or she served at the registrant's request and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his or her conduct was lawful. The termination of any action, suit or proceeding by judgment, order, settlement or conviction will not, of itself, create a presumption that the person did not act honestly and in good faith with a view to the best interests of the registrant or other entity and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had no reasonable grounds for believing that his or her conduct was lawful.

The registrant has entered into indemnity agreements with its directors and certain officers pursuant to which it has agreed to indemnify its officers and directors for:

(a) all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by them in respect of any civil, criminal or administrative action or proceeding to which they are made a party by reason of being or having been a director

and/or officer of the registrant, if (i) they acted honestly and in good faith with a view to the best interests of the registrant, and (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, they had reasonable grounds for believing that their conduct was lawful.

(b) all costs, charges and expenses reasonably incurred by them in connection with any action by or on behalf of the registrant to procure a judgment in the registrant's favour to which they are made a party by reason of being or having been a director and/or officer of the registrant.

(c) all costs, charges and expenses reasonably incurred by them in connection with the defense of any civil, criminal or administrative proceeding to which they are made a party by reason of being or having been a director and/or officer of the registrant if they have been substantially successful on the merits in their defense of the action or proceeding and they fulfil the conditions set forth in the two foregoing clauses (a)(i) and (a)(ii) above.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is therefore unenforceable.

Item 7. Recent Sales of Unregistered Securities

Below is information regarding securities sold by us since June 1, 2007 that were not registered under the Securities Act of 1933. All references to our securities in this Item do not give effect to the one-for-30 share consolidation effected on May 25, 2010.

Private Placement of Units

On November 27, 2009, we completed a private placement of 41,000,000 units at a price of $0.06 per unit. Each unit consisted of one of our common shares and one-half of one common share purchase warrant. Each whole warrant permits the holder to purchase one additional common share at a price of $0.08 per common share, until May 27, 2011. In connection with the private placement, we issued 41,000,000 common shares and 20,499,996 common share purchase warrants, and received gross proceeds of approximately $2.5 million in cash (including $1.0 million originally received by us by way of a loan from one of our directors on October 6, 2009, which was cancelled and the funds applied to subscribe for units as part of the private placement). The units were offered and sold to one accredited investor in the United States pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933, and in offshore transactions pursuant to the exclusion from registration provided by Rule 903 of Regulation S under the Securities Act of 1933. In connection with the private placement, we paid to the agents for the private placement a cash commission of $155,000 and issued 2.2 million broker warrants to purchase an equivalent number of our common shares, at a price of $0.08 per common share, until May 27, 2011. The total costs associated with the transaction, including the fee paid to the agent, were approximately $225,000 plus the broker warrants.

Rights Offering

On June 27, 2008, we filed a short-form prospectus in Canada for a rights offering to our shareholders in Canada and Germany. Under the rights offering, shareholders as of the record date on July 9, 2008 received one right for each common share held as of that date. Each four rights entitled the shareholder to purchase a unit at a price of $0.13 per unit. Each unit consisted of one of our common shares and one-half of one common share purchase warrant. Each whole warrant permits the holder to purchase one of our common shares at a price of $0.18 per share, until August 7, 2010. All unexercised rights expired on August 7, 2008. In connection with the rights offering, we issued

28,538,889 common shares and 14,269,444 common share purchase warrants, for cash consideration of approximately $3.7 million. The securities were offered and sold to eligible shareholders of our company pursuant to the exclusion from registration provided by Rule 903 of Regulation S under the Securities Act of 1933. The total costs associated with the transaction were approximately $500,000.

Interest Payments Pursuant to Debentures

Pursuant to the terms of our formerly outstanding $15.0 million aggregate principal amount of secured convertible debentures that we issued in 2004 and 2005, interest was payable monthly in our common shares. The number of common shares required to be issued in payment of interest was determined by the weighted average trading price of our common shares for the 10 trading days immediately preceding the issue of the common shares in respect of a particular interest payment. During the period June 1, 2007 to June 19, 2009, we issued the following shares in payment of interest on the secured convertible debentures:

Period	Number of shares	Weighted average price
June 1, 2007 to May 31, 2008	5,382,903	$ 0.191
June 1, 2008 to May 31, 2009	10,620,465	$ 0.067
June 1, 2009 to June 19, 2009	201,803	$ 0.073

The common shares issued in payment of interest on the debentures were issued pursuant to Rule 903 of Regulation S under the Securities Act of 1933. We repurchased the secured convertible debentures on June 19, 2009, and no common shares have been issued in respect of the secured convertible debentures since that date.

Item 8. Exhibits and Financial Statement Schedules.

See the Exhibit Index to this Registration Statement.

Item 9. Undertakings.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

1. For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

2. For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Toronto, Ontario, Canada, on June 2, 2010.

LORUS THERAPEUTICS INC.

By: /s/ AIPING YOUNG

Name: Aiping H. Young
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ AIPING YOUNG Aiping Young	President and Chief Executive Officer (principal executive officer)	June 2, 2010
* Elizabeth Williams	Director of Finance (Acting Chief Financial Officer) (principal financial and accounting officer)	June 2, 2010
Denis Burger	Director	
* Herbert Abramson	Director	June 2, 2010
* Mark Vincent	Director	June 2, 2010
* Jim Wright	Director	June 2, 2010
*By: /s/ AIPING YOUNG Aiping Young Attorney-in-fact		June 2, 2010

AUTHORIZED REPRESENTATIVE

Pursuant to the requirements of Section 6(a) of the Securities Act of 1933, the undersigned has signed this Registration Statement, solely in the capacity of the duly authorized representative of Lorus Therapeutics Inc. in the United States, on June 2, 2010.

PUGLISI & ASSOCIATES

By: /s/ GREG LAVELLE

Name: Greg Lavelle
Title: Managing Director

EXHIBIT INDEX

Number	Exhibit
1.1	Form of Placement Agency Agreement
2.6****	Arrangement Agreement dated May 1, 2007, among the Company, Old Lorus, 6707157 Canada Inc., NuChem Pharmaceuticals Inc., GeneSense Technologies Inc. and Pinnacle International Lands Inc.
2.7^	Amendment No. 1 to Arrangement Agreement dated May 14, 2007, among the Company, Old Lorus, 6707157 Canada Inc., NuChem Pharmaceuticals Inc., GeneSense Technologies Inc. and Pinnacle International Lands Inc.
2.8^^	Amendment No. 2 to Arrangement Agreement dated July 4, 2007, among the Company, Old Lorus, 6707157 Canada Inc., NuChem Pharmaceuticals Inc., GeneSense Technologies Inc. and Pinnacle International Lands Inc.
3.1*	Articles of Incorporation
3.2*	By-law #2 of Lorus Therapeutics Inc.
4.1	Form of Common Share Certificate
4.2	Form of Warrant
4.3	Form of Subscription Agreement (included as Exhibit A to Exhibit 1.1)
4.4	Form of General Lock-up Agreement
4.5	Form of Lock-up Agreement for High Tech Beteiligungen GmbH & Co. KG
5.1###	Opinion of McCarthy Tétrault LLP regarding validity of the securities offered
8.1###	Opinion of Dorsey & Whitney LLP as to certain United States tax matters
8.2###	Opinion of McCarthy Tétrault LLP as to certain Canadian tax matters (included in Exhibit 5.1)
10.1**	Common Share Purchase Agreement dated as of July 13, 2006 between Lorus and High Tech Beteiligungen GmbH & Co. KG
10.2**	Registration Rights Agreement dated as of August 30, 2006 between Lorus and High Tech Beteiligungen GmbH & Co. KG
10.3**	Common Share Purchase Agreement dated as of July 24, 2006 between Lorus and Technifund Inc.
10.4*****	Warrant Repurchase Agreement dated May 1, 2007 between the Company and The Erin Mills Investment Corporation
10.5*****	Assignment, Novation and Amendment Agreement and Consent dated May 1, 2007 among the Company, Old Lorus, GeneSense Technologies Inc. and The Erin Mills Investment Corporation
10.6^^^	Amendment No. 1 to Assignment, Novation and Amendment Agreement and Consent dated June 28, 2007 among the Company, Old Lorus, GeneSense Technologies Inc. and The Erin Mills Investment Corporation
10.7+	Tangible Business Assets Transfer Agreement dated July 10, 2007 between Old Lorus and GeneSense Technologies Inc.

Number	Exhibit
10.8+	Antisense Patent Transfer Agreement dated July 10, 2007 between the Company and GeneSense Technologies Inc.
10.9+	Virulizin™ and Small Molecule Patent Assets Transfer Agreement dated July 10, 2007 between Old Lorus and GeneSense Technologies Inc.
10.10+	Prepaid Expenses and Receivables Transfer Agreement dated July 10, 2007 between Old Lorus and GeneSense Technologies Inc.
10.11+	NuChem Pharmaceuticals Inc. common share Purchase Agreement dated July 10, 2007 between Old Lorus and GeneSense Technologies Inc.
10.12+	GeneSense Technologies Inc. common share Purchase Agreement dated July 10, 2007 between Old Lorus and New Lorus
10.13*****	Pinnacle common share purchase agreement dated July 10, 2007 between Old Lorus and 6707157 Canada Inc.
10.14+	Indemnification Agreement dated July 10, 2007 between Old Lorus and the Company
10.15+	Escrow Agreement between 6707157 Canada Inc, the Company and Equity Transfer & Trust Company dated July 10, 2007
10.16+	Amended and Restated Guarantee and Indemnity between GeneSense Technologies Inc. and The Erin Mills Investment Corporation dated July 10, 2007
10.17+	Amended and Restated common share Pledge Agreement between the Company and The Erin Mills Investment Corporation dated July 10, 2007
10.18++++++	Form of Canadian Subscription Agreement used in connection with the November 2009 private placement of units
10.19++++++	Form of Canadian Warrant issued in connection with the November 2009 private placement of units
10.20++++++	Form of United States Subscription Agreement used in connection with the November 2009 private placement of units
10.21++++++	Form of United States Warrant issued in connection with the November 2009 private placement of units
10.22++++++	Promissory note dated October 6, 2009 between the Company and Herbert Abramson
10.23+++++	Warrant Indenture dated June 27, 2008 between the Company and Computershare Trust Company of Canada
10.24+++++	Settlement Agreement dated June 19, 2009 between the Company and The Erin Mills Investment Corporation
10.25+++++	Asset Purchase Agreement dated June 19, 2009 between the Company and The Erin Mills Investment Corporation
10.26+++++	Supply and Services Agreement dated June 19, 2009 between the Company and Erin Mills Biotech Inc.
10.27+++++	Common Share Purchase Agreement regarding sale of Pharma Immune Inc. dated June 19, 2009 between the Company and The Erin Mills Investment Corporation

Number	Exhibit
10.28+++++	Animal Rights License Agreement dated June 19, 2009 between the Company and Erin Mills Biotech Inc.
10.29++++++	Amendment, Assignment, Assumption, Novation and Consent Agreement dated June 19, 2009 among the Company, Zor Pharmaceuticals, LLC, Erin Mills Biotech Inc. and The Erin Mills Investment Corporation
10.30+++	Stock Option Plans
10.31**	Form of Officer and Director Indemnity Agreement
10.32++++	Exclusive License Agreement dated April 8, 2008 between the Company and Zor Pharmaceuticals LLC
10.33++++	Independent Contractor Services Agreement dated April 8, 2008 between the Company and Zor Pharmaceuticals LLC
10.34++++	Limited Liability Company Agreement dated April 8, 2008 between the Company and ZBV I, LLC
10.35^^^^	Alternate Compensation Plan
21.1+++++++	List of subsidiaries
23.1	Consent of KPMG LLP
23.2###	Consent of McCarthy Tétrault LLP (included in Exhibit 5.1)
23.3###	Consent of Dorsey & Whitney LLP (included in Exhibit 8.1)
24.1†	Powers of Attorney

To be filed by amendment

† Previously filed

* Incorporated by reference to Report of Foreign Issuer on Form 6-K, furnished November 19, 2007 (File 0-32001)

** Incorporated by reference to Annual Report on Form 20-F, filed November 21, 2006 (File 1-32001)

*** Incorporated by reference to Report of Foreign Issuer on Form 6-K, furnished February 10, 2005 (File 1-32001)

**** Incorporated by reference to Report of Foreign Issuer on Form 6-K, furnished May 30, 2007 (File 1-32001)

***** Incorporated by reference to Report of Foreign Issuer on Form 6-K, furnished November 20, 2007 (File 1-32001)

+ Incorporated by reference to Report of Foreign Issuer on Form 6-K, furnished September 4, 2007 (File 1-32001)

++ Incorporated by reference to Registration Statement on Form 20-FR, filed March 4, 1992 (File 0-19763)

+++ Incorporated by reference to Annual Report on Form 20-F, filed November 30, 2007 (File 1-32001)

++++ Incorporated by reference to Report of Foreign Issuer on Form 6-K, furnished April 21, 2008 (File 1-32001)

+++++ Incorporated by reference to Report of Foreign Issuer on Form 6-K, furnished November 16, 2009 (File 1-32001)

++++++ Incorporated by reference to Annual Report on Form 20-F, filed November 30, 2009 (File 1-32001)

^ Incorporated by reference to Report of Foreign Issuer on Form 6-K, furnished November 19, 2007 (File 1-32001)

^^ Incorporated by reference to Report of Foreign Issuer on Form 6-K, furnished July 10, 2007 (File 1-32001)

^^^ Incorporated by reference to Report of Foreign Issuer on Form 6-K, furnished March 24, 2010 (File 1-32001)

^^^^ Incorporated by reference to Report of Foreign Issuer on Form 6-K, furnished May 19, 2010 (File 1-32001)

QuickLinks

Exhibit 1.1

LORUS THERAPEUTICS INC.

PLACEMENT AGENCY AGREEMENT

·, 2010

Global Hunter Securities, LLC
400 Poydras Street, Suite 1510
New Orleans, Louisiana 70130

D&D Securities Inc.
150 York Street
Suite 1714
Toronto, Ontario

Dear Sirs:

Lorus Therapeutics Inc. (the "Company"), a corporation continued under the laws of Canada, proposes to sell to certain purchasers (each a "Purchaser" and, collectively, the "Purchasers"), pursuant to the terms of this Placement Agency Agreement (this "Agreement") and, with respect to purchasers in the United States, the Subscription Agreements in the form of Exhibit A attached hereto (the "Subscription Agreements"), up to an aggregate of· units (the "Units") with each Unit consisting of (i) one common share (a "Share" and, collectively, the "Shares"), without nominal or par value (the "Common Shares"), of the Company and (ii) one-half of one common share purchase warrant (a "Warrant" and, collectively, the "Warrants"). Each whole Warrant will entitle the holder to purchase one (1) Common Share at an initial exercise price of US$ · per Common Share, subject to adjustment pursuant to the terms of the Warrants. The Warrants shall be in substantially the form ofExhibit B attached hereto. The Units will not be issued or certificated. The Shares and the Warrants are immediately separable and will be issued separately at Closing. The Common Shares issuable upon the exercise of the Warrants are hereinafter referred to as the "Warrant Shares." The Shares, the Warrants and the Warrant Shares are hereinafter collectively referred to as the "Offered Securities." The offering of the Offered Securities is referred to herein as the "Offering."

The Company hereby confirms its agreement with Global Hunter Securities, LLC ("GHS", "the U.S. Placement Agent" and "Lead Bookrunner") and D&D Securities Inc. ("D&D" and the "Canadian Placement Agent" and, together with the U.S. Placement Agent, the "Placement Agents") in accordance with the terms and conditions hereof as set forth below.

1. *Agreement to Act as Placement Agents; Placement of Securities.* On the basis of the representations, warranties and agreements of the Company herein contained and subject to all the terms and conditions of this Agreement, the Placement Agents agree to act as the Company's exclusive placement agents on a reasonable "best efforts" basis in connection with the issuance and sale by the Company of the Units to the Purchasers in the Offering. Offers for the purchase of the Units may be solicited by the Placement Agents as agents for the Company at such times and in such amounts as the Placement Agents may deem advisable. The Placement Agents and the Company hereby acknowledge and agree that (i) the U.S. Placement Agent shall not solicit any offers to purchase Units, and shall not conduct any sales activity with regard to the Units, in Canada or to persons who are residents of, or domiciled in Canada and (ii) the Canadian Placement Agent shall not solicit any offers to purchase Units, and shall not conduct any sales activity with regard to the Units, in the United States (as that term is defined in Regulation S under the Securities Act (as defined herein)) or to persons who are residents of, or domiciled in the United States. The Company shall not, without the prior consent of the Placement Agents, solicit or accept offers to purchase the Units otherwise than through the Placement Agents. The Company shall have the sole right to accept offers to purchase the Units and may reject any such offer, in whole or in part. The Placement Agents shall each have the right, in their discretion, without notice to the Company, to reject any offer to purchase the Units received by them, in whole or in part, and any such rejection shall not be deemed a breach of their agreement contained herein. The Placement Agents shall use commercially reasonable efforts to assist the Company in obtaining performance by each Purchaser whose offer to purchase Units has been solicited by the Placement Agents and

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accepted by the Company, but the Placement Agents shall not have any liability to the Company in the event any such purchase is not consummated for any reason. If the Company shall default in its obligations to deliver Units to a Purchaser whose offer it has accepted, the Company shall indemnify and hold the Placement Agents harmless against any loss, claim or damage arising from or as a result of such default by the Company. The Units are being sold to the Purchasers at a price of US$· per Unit (the "Per Unit Purchase Price"). The purchases of the Units by the Purchasers in the United States through the U.S. Placement Agent shall be evidenced by the execution of the Subscription Agreements by each of the parties thereto, and in Canada, through the delivery of the Canadian Prospectus. Under no circumstances will the Placement Agents be obligated to underwrite or purchase any Offered Securities for their own account and, in soliciting purchases of the Offered Securities, the Placement Agents shall act solely as the Company's agents and not as principals. Notwithstanding the foregoing, it is understood and agreed that each of the Placement Agents (or their respective affiliates) may, solely at their discretion and without any obligation to do so, purchase Offered Securities as principals. In compensation for the services to be provided by the Placement Agents hereunder, the Company shall pay to the Placement Agents a cash fee (the "Placement Fee") equal to 8% of the proceeds received by the Company from the sale of the Units (except for Units sold to Purchasers listed on Schedule 2) in the allotments set forth opposite such Placement Agent's name on Schedule 1, as set forth on the cover page of the Prospectuses (as hereinafter defined). The U.S. Placement Agent may, in its discretion, retain other brokers or dealers who are members of Financial Industry Regulatory Authority, Inc. ("FINRA") to act as selected dealers or subagents on its behalf in connection with the Offering, payment to whom shall be solely the responsibility of the Placement Agent retaining such selected dealer or subagent.

2. *Delivery and Payment.* The closing (the "Closing") of the sale of the Shares and Warrants shall take place at 8:00 a.m., Eastern time, on·, 2010, or at such other time on such other date as may be agreed upon by the Company and the Placement Agents (the "Closing Date"). All actions taken at the Closing shall be deemed to have occurred simultaneously. At the Closing, the Company shall deliver the Shares and Warrants to those Purchasers that have tendered payment in full to the Company for the Units, with the delivery of the Shares to be made, if possible, in the United States through the facilities of The Depository Trust Company, and the delivery of the Warrants to be made by mail to the Purchasers to the addresses set forth on the applicable Subscription Agreements and in Canada, at the Toronto office of McCarthy Tétrault with delivery of the Offered Shares and Warrants to be made to the Canadian Purchasers at the direction of D&D. At the Closing, the Company shall pay to the Placement Agents in accordance with Section 1 above, by wire transfer of immediately available funds, to accounts and in such amounts as may be specified by the Lead Bookrunner, an aggregate amount equal to the sum of (i) the Placement Fee and (ii) the expense reimbursements owed to the Placement Agents pursuant to Section 5 hereof.

3. *Representations and Warranties of the Company and its Subsidiaries.* The Company represents and warrants to and agrees with the Placement Agents and the Purchasers that:

(a) The Company has prepared and filed with the United States Securities and Exchange Commission (the "Commission") under the United States Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder (collectively, the "Securities Act"), a registration statement on Form F-1 (File No. 333-165922), including a prospectus, relating to the Offered Securities. Such registration statement, as amended at the time it became effective, including the information, if any, deemed pursuant to Rule 430A, 430B or 430C under the Securities Act to be part of the registration statement at the time of its effectiveness ("Rule 430 Information"), is referred to herein as the "Registration Statement," the term "U.S. Preliminary Prospectus" means each prospectus included in such registration statement (and any amendments thereto) before effectiveness and the prospectus included in the Registration Statement at the time of its effectiveness that omits Rule 430 Information, and the term "U.S. Prospectus" means the prospectus in the form first used (or made available upon request of purchasers pursuant to Rule 173 under the Securities Act) in connection with confirmation of sales of the Units in the United States. If the Company has filed an abbreviated registration statement pursuant to Rule 462(b) under the Securities Act

(the "Rule 462 Registration Statement"), then any reference herein to the term "Registration Statement" shall be deemed to include such Rule 462 Registration Statement. Any reference in this Agreement to the Registration Statement, any U.S. Preliminary Prospectus or the U.S. Prospectus shall be deemed to refer to and include the documents incorporated by reference therein, if any, under the Securities Act, as of the effective date of the Registration Statement or the date of the U.S. Prospectus, as the case may be.

(b) The Company has prepared and filed, pursuant to the review procedures in accordance with National Policy 11-202 Process for Prospectus Reviews in Multiple Jurisdictions ("NP 11-202"), referred to as

the "Passport Procedures", a preliminary short form prospectus (the "Canadian Preliminary Prospectus") and all necessary documents relating thereto and will take all additional steps to qualify the Offered Securities for distribution in each of the provinces of Ontario, Alberta and British Columbia (collectively, the "Qualifying Canadian Jurisdictions") in form and substance reasonably satisfactory to the Placement Agents. The principal regulator or passport regulator has issued a receipt for the Canadian Preliminary Prospectus in accordance with NP 11-202.

(c) The Company has complied with all securities regulatory requirements on a timely basis in connection with the distribution of the Offered Securities, including by filing within the periods stipulated under Canadian Securities Laws and at the Company's expense, all forms required to be filed by the Company in connection with the Offering and paying all filing fees required to be paid in connection therewith.

(d) The term "General Disclosure Package" shall mean (i) the U.S. Preliminary Prospectus, if any, used most recently prior to the Applicable Time, (ii) any issuer free writing prospectuses as defined in Rule 433(h) under the Securities Act, if any, identified in Schedule A, (each, an "Issuer Free Writing Prospectus") and (iii) any other "free writing prospectus" (as defined pursuant to Rule 405 under the Securities Act) prepared by or on behalf of the Company or used or referred to by the Company in connection with the Offering. "Applicable Time" shall mean ·:00 [a/p].m. Eastern time on the date of execution and delivery of this Agreement.

(e) The Registration Statement has been declared effective by the Commission under the Securities Act. No order suspending the effectiveness of the Registration Statement has been issued by the Commission, and no proceeding for that purpose or pursuant to Section 8A of the Securities Act against the Company or related to the Offering has been initiated or, to the Company's knowledge, threatened by the Commission; as of the effective date of the Registration Statement and the effective date of any post-effective amendment thereto, the Registration Statement and any such post-effective amendment complied and will comply in all material respects with the Securities Act, and did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading; and as of the date of the Prospectuses and any amendment or supplement thereto and as of the Closing Date, as the case may be, the Prospectuses will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representation or warranty with respect to any statements contained in the Registration Statement or the Prospectuses in reliance upon and in conformity with information concerning the Placement Agents furnished in writing by the Placement Agents to the Company expressly for use in the Registration Statement and the Prospectuses and any amendment or supplement thereto, as set forth in Section 7(b). "Prospectuses" shall mean the U.S. Prospectus and the Canadian Final Prospectus.

(f) The documents incorporated by reference in the Registration Statement, the Prospectuses and the General Disclosure Package, if any, when they were filed with the Commission conformed in all material respects to the requirements of the United States Securities Exchange Act of 1934 (the "Exchange Act"), and none of such documents contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) The General Disclosure Package, together with the information permitted to be omitted from the U.S. Preliminary Prospectus pursuant to Rule 430A that is to be included in the U.S. Prospectus, when taken together as a whole, did not, as of the Applicable Time, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representation or warranty with respect to any statement contained in the General Disclosure Package in reliance upon and in conformity with information concerning the Placement Agents and furnished in writing by the Placement Agents to the Company expressly for use in the General Disclosure Package, as set forth in Section 7(b).

(h) Other than the Registration Statement, the U.S. Preliminary Prospectus and the U.S. Prospectus, the Company (including its agents and representatives, other than the Placement Agents in their capacity as such) has not prepared, used, authorized, approved or referred to and will not prepare, use, authorize, approve or refer to any Issuer Free Writing Prospectus other than (i) any document not constituting a prospectus pursuant to Section 2(a)(10)(a) of the Securities Act or Rule 134 under the Securities Act or (ii) the documents listed on

Schedule A hereto, each electronic road show and any other written communications or documents approved in writing in advance by the Placement Agents. Each such Issuer Free Writing Prospectus complied in all material respects with the Securities Act, has been or will be (within the time period specified in Rule 433) filed in accordance with the Securities Act (to the extent required thereby) and such Issuer Free Writing Prospectus did not as of the Applicable Time, and as of the Closing Date will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representation or warranty with respect to any statements contained in the Registration Statement or the U.S. Prospectus in reliance upon and in conformity with information concerning the Placement Agents furnished in writing by the Placement Agents to the Company expressly for use in the Registration Statement and the U.S. Prospectus and any amendment or supplement thereto, as set forth in Section 7(b). The Company is not an "ineligible issuer" in connection with the Offering pursuant to Rules 164, 405 and 433 under the Securities Act. Each Issuer Free Writing Prospectus, as of its issue date and at all subsequent times through the completion of the public offer and sale of the Offered Securities, did not, does not and will not include any information that conflicted, conflicts or will conflict with the information contained in the Registration Statement or the U.S. Prospectus, including any document incorporated by reference therein that has not been superseded or modified.

(i) The Company is a "foreign private issuer" (as defined in Rule 405 under the Securities Act) and meets the requirements for use of Form F-1 under the Securities Act.

(j) The Company has complied in all material respects with all applicable securities laws in each of the provinces in Canada emanating from governmental authorities, including the respective rules and regulations made thereunder together with applicable published national and local instruments, policy statements, notices, blanket rulings and orders of the with the securities commissions or other securities regulatory authorities in each of the provinces of Canada (the "Canadian Securities Commissions"), and all discretionary rulings and orders applicable to the Company, if any, of the Canadian Securities Commissions (collectively, "Canadian Securities Laws") required to be complied with by the Company to qualify the distribution of the Offered Securities as contemplated hereby in the Qualifying Canadian Jurisdictions; and on the Closing Date, there will be no reports or information that, in accordance with the requirements of Canadian Securities Laws, must be filed or made publicly available in connection with the listing of the Shares or the Warrant Shares on the Toronto Stock Exchange ("TSX") (other than routine post-closing filings) that have not been filed or made publicly available as required.

(k) The Company has the full right, power and authority to enter into this Agreement, the Warrants and each of the Subscription Agreements and to perform and discharge its obligations hereunder and thereunder.

(l) The Company and each of its subsidiaries have been duly incorporated and are validly existing as corporations or other legal entities in good standing (or the foreign equivalent thereof) under the laws of their respective jurisdictions of organization. The Company and each of its subsidiaries is duly qualified to do business, and is in good standing, where applicable, as a foreign corporation or other legal entity in each jurisdiction in which its ownership or lease of property or the conduct of its business requires such qualification and has all power and authority (corporate or other) necessary to own or hold its properties and to conduct the business in which it is engaged, except where the failure to so qualify or have such power or authority (i) would not have, singularly or in the aggregate, a material adverse effect on the condition (financial or otherwise), results of operations, assets, or business of the Company and its subsidiaries taken as a whole, or (ii) impair in any material respect the ability of the Company to perform its obligations under this Agreement or to consummate any transactions contemplated by the Agreement, the General Disclosure Package or the Prospectuses (any such effect as described in clauses (i) or (ii), a "Material Adverse Effect"). The only direct or indirect subsidiary of the Company is NuChem Pharmaceuticals Inc., and the Company does not own or control, directly or indirectly, any interest in any corporation, partnership, limited liability partnership, limited liability corporation, association or other entity. All the outstanding share capital of NuChem Pharmaceuticals Inc. has been duly authorized and validly issued, is fully paid and non-assessable and is owned by the Company directly, free and clear of any claim, lien, encumbrance, security interest, restriction upon voting or transfer or any other claim of any third party.

(m) This Agreement has been duly authorized, executed and delivered by the Company, and constitutes a valid and binding obligation of the Company enforceable in accordance with its terms, except as may

be limited by bankruptcy, reorganization, insolvency, moratorium and similar laws of general application relating to or affecting the enforcement rights of creditors, and except as enforceability of its obligations hereunder are subject to general principles of equity.

(n) Each of the Warrants and the Subscription Agreements (together with this Agreement, the "Offering Agreements") has been duly authorized, and when executed and delivered by the Company will constitute a valid and binding obligation of the Company enforceable in accordance with its terms, except as may be limited by bankruptcy, reorganization, insolvency, moratorium and similar laws of general application relating to or affecting the enforcement rights of creditors, and except as enforceability of its obligations hereunder are subject to general principles of equity.

(o) The Units to be issued and sold by the Company hereunder and under the Subscription Agreements and the Warrant Shares have been duly and validly authorized and the Shares, when issued and delivered against payment therefor as provided herein and in the Subscription Agreements, the Warrant Shares, when issued and delivered against payment therefor as provided in the Warrants, will be duly and validly issued, fully paid and non-assessable and free of any preemptive or similar rights and will conform to the description thereof contained in the General Disclosure Package and the Prospectuses.

(p) The Company has an authorized capitalization as set forth in the Prospectuses, and all of the issued share capital of the Company has been duly and validly authorized and issued, is fully paid and non-assessable, has been issued in compliance with applicable corporate laws, and conforms to the description thereof contained in the General Disclosure Package and the Prospectuses. Since February 28, 2010, the Company has not issued any securities, other than Common Shares of the Company issued pursuant to the exercise of stock options previously outstanding under the Company's stock option plans or the issuance of Common Shares pursuant to employee stock purchase plans. All of the Company's outstanding options, warrants and other rights to purchase or exchange any securities for shares in the capital of the Company have been duly authorized and validly issued and were issued in all material respects in compliance with applicable securities laws. None of the outstanding Common Shares were issued in violation of any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase securities of the Company. There are no authorized or outstanding shares in the capital of the Company, options, warrants, preemptive rights, rights of first refusal or other rights to purchase, or equity or debt securities convertible into or exchangeable or exercisable for, any share capital of the Company or any of its subsidiaries other than those described above or accurately described in the General Disclosure Package. The description of the Company's stock plans or arrangements, and the options or other rights granted thereunder, as described in the General Disclosure Package and the Prospectuses, accurately and fairly present the information required to be shown with respect to such plans, arrangements, options and rights in all material respects.

(q) The execution, delivery and performance of this Agreement, the Subscription Agreements and the Warrants by the Company, the issue and sale of the Units by the Company and the consummation of the transactions contemplated hereby and thereby will not (with or without notice or lapse of time or both) (i) conflict with or result in a breach or violation of any of the terms or provisions of, constitute a default under, give rise to any right of termination or other right or the cancellation or acceleration of any right or obligation or loss of a benefit under, or give rise to the creation or imposition of any lien, encumbrance, security interest, claim or charge upon any property or assets of the Company or any subsidiary pursuant to, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, (ii) nor will such actions result in any violation of the provisions of the charter or by-laws (or analogous governing instruments, as applicable) of the Company or any of its subsidiaries, or (iii) nor will such actions result in any violation of the provisions of any law, statute, rule, regulation, judgment, order or decree of any court or governmental agency or body, domestic or foreign, having jurisdiction over the Company or any of its subsidiaries or any of their properties or assets, except, in the case of clauses (i) and (iii) of this Section 3(q), as would not, singularly or in the aggregate, have a Material Adverse Effect.

(r) Except for the registration of the Offered Securities under the Securities Act, the qualification of the distribution of the Offered Securities under Canadian Securities Laws of the Qualifying Canadian Jurisdictions, and such consents, approvals, authorizations, registrations or qualifications as may be required under Canadian Securities Laws and the Exchange Act and applicable state securities laws and the TSX in

connection with the distribution of the Units, no consent, approval, authorization or order of, or filing, qualification or registration with, any court or governmental agency or body, foreign or domestic, which has not been made, obtained or taken and is not in full force and effect, is required for the execution, delivery and performance of this Agreement by the Company, the offer or sale of the Units or the consummation of the transactions contemplated hereby or thereby.

(s) KPMG LLP, which has rendered an opinion on the annual audited financial statements and a review report on the quarterly financial statements and related supplementary information included or incorporated by reference in the Registration Statement, the General Disclosure Package and the Prospectuses, is an independent registered public accounting firm as required by the Securities Act and the Public Company Accounting Oversight Board (United States) (the "PCAOB") and is an independent auditor as required by Canadian Securities Laws. KPMG LLP has not been engaged by the Company to perform any "prohibited activities" (as described in Section 10A(g) of the Exchange Act).

(t) The financial statements included or incorporated by reference in the General Disclosure Package, the Prospectuses and the Registration Statement, together with the related notes and schedules, present fairly in all material respects the consolidated financial position of the Company and its subsidiaries as of the dates indicated and the consolidated statements of operations and cash flows of the Company and the subsidiaries for the periods specified and do not contain a misrepresentation (as defined under Canadian Securities Laws) and have been prepared in conformity with accounting principles generally accepted in Canada ("Canadian GAAP") applied on a consistent basis during the periods involved, together with any required reconciliation, in accordance with the Securities Act and the Commission's rules and guidelines, to accounting principles generally accepted in the U.S. ("U.S. GAAP"); there are no financial statements (historical or pro forma) that are required to be included in the General Disclosure Package, the Prospectuses and the Registration Statement, that are not included as required.

(u) Neither the Company nor any of its subsidiaries has sustained, since the date of the latest audited financial statements included or incorporated by reference in the General Disclosure Package and Prospectuses, any material loss or interference with its business from fire, explosion, flood, terrorist act, or other calamity, whether or not covered by insurance, or from any labor dispute, grievance, arbitration proceeding or other conflict, or court or governmental action, order or decree, otherwise than as set forth or contemplated in the General Disclosure Package and Prospectuses; and, since such date, there has not been any change in the share capital or long-term debt of the Company or any of its subsidiaries, or any Material Adverse Effect, or any development involving a prospective Material Adverse Effect, in or affecting the business, assets, general affairs, management, financial position, shareholders' equity or results of operations of the Company and its subsidiaries taken as a whole, otherwise than as set forth or contemplated in the General Disclosure Package and Prospectuses.

(v) Except as set forth in the General Disclosure Package, there is no legal or governmental action, suit, claim or proceeding pending to which the Company or any of its subsidiaries is a party or of which any property or assets of the Company or any of its subsidiaries is the subject which is required to be described in the Registration Statement, the General Disclosure Package or the Prospectuses, and is not described therein, or which, singularly or in the aggregate, if determined adversely to the Company or any of its subsidiaries, would have a Material Adverse Effect; and to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others.

(w) Neither the Company nor any of its subsidiaries (i) is in violation of its charter or by-laws (or analogous governing instrument, as applicable), (ii) is in default in any respect, and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it is bound or to which any of its property or assets is subject or (iii) is in violation in any respect of any law, ordinance, governmental rule, regulation or court order, decree or judgment to which it or its property or assets may be subject except, in the case of clauses (ii) and (iii) of this Section 3(w), for any violations or defaults which, singularly or in the aggregate, would not have a Material Adverse Effect.

(x) The Company and each of its subsidiaries possess all licenses, certificates, authorizations and permits issued by, and have made all declarations and filings with, the appropriate local, state, federal or foreign

regulatory agencies or bodies which are necessary or desirable for the ownership of their respective properties or the conduct or proposed conduct of their respective businesses as described in the General Disclosure Package and the Prospectuses (collectively, the "Governmental Permits") except where any failures to possess or make the same, singularly or in the aggregate, would not have a Material Adverse Effect. The Company and its subsidiaries are in compliance with all such Governmental Permits; all such Governmental Permits are valid and in full force and effect, except where the validity or failure to be in full force and effect would not, singularly or in the aggregate, have a Material Adverse Effect. All such Governmental Permits are free and clear of any restriction or condition that are in addition to, or materially different from those normally applicable to similar licenses, certificates, authorizations and permits. Neither the Company nor any subsidiary has received notification of any revocation or modification (or proceedings related thereto) of any such Governmental Permit and has no reason to believe that any such Governmental Permit will not be renewed.

(y) Neither the Company nor any of its subsidiaries is or, after giving effect to the Offering of the Units and the application of the proceeds thereof as described in the General Disclosure Package and the Prospectuses, will be required to be registered as an "investment company" pursuant to the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission promulgated thereunder.

(z) Neither the Company, nor any of its subsidiaries nor any of their respective officers, directors or affiliates has taken or will take, directly or indirectly, any action designed or intended to stabilize or manipulate the price of any security of the Company, or which caused or resulted in, or which might in the future reasonably be expected to cause or result in, stabilization or manipulation of the price of any security of the Company.

(aa) The Company and its subsidiaries own or possess the right to use, subject to applicable laws and regulations, all patents, trademarks, trademark registrations, service marks, service mark registrations, trade names, copyrights, licenses, inventions, software, databases, know-how, Internet domain names, trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures, and other intellectual property (collectively, "Intellectual Property") described in the General Disclosure Package and the Prospectuses necessary to carry on their respective businesses as currently conducted, and as proposed to be conducted and described in the General Disclosure Package and the Prospectuses, and the Company is not aware of any claim to the contrary or any challenge by any other person to the rights of the Company and its subsidiaries with respect to the foregoing, except for those that could not have a Material Adverse Effect. The Intellectual Property licenses described in the General Disclosure Package and the Prospectuses are valid, binding upon, and enforceable by or against the parties thereto in accordance to their terms, subject to bankruptcy, reorganization, insolvency, moratorium and similar laws of general application relating to or affecting the enforcement rights of creditors, and except as enforceability of its obligations hereunder are subject to general principles of equity. The Company has complied in all material respects with, and is not in breach nor has received any asserted or threatened claim of breach of, any Intellectual Property license, and the Company has no knowledge of any breach or anticipated breach by any other person to any Intellectual Property license. To the Company's knowledge, the Company's business as now conducted does not infringe or conflict with any patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses or other Intellectual Property or franchise right of any person. Except as described in the General Disclosure Package, no claim has been made against the Company alleging the infringement by the Company of any patent, trademark, service mark, trade name, copyright, trade secret, license in or other intellectual property right or franchise right of any person. The Company has taken reasonable steps to protect, maintain and safeguard its rights in all Intellectual Property, including the execution of appropriate nondisclosure and confidentiality agreements. The consummation of the transactions contemplated by this Agreement will not result in the loss or impairment of or payment of any additional amounts with respect to, nor require the consent of any other person in respect of, the Company's right to own, use, or hold for use any of the Intellectual Property as owned, used or held for use in the conduct of the business as currently conducted. The Company has at all times materially complied with all applicable laws relating to privacy, data protection, and the collection and use of personal information collected, used, or held for use by the Company in the conduct of the Company's business. No claims have been asserted or, to the Company's knowledge, threatened against the Company alleging a violation of any person's privacy or personal information or data rights and the consummation of the transactions contemplated hereby will not breach or otherwise cause any violation of any law related to privacy, data protection, or the collection and use of personal information collected, used, or held for use by the Company in the conduct of the

Company's business. The Company takes reasonable measures to ensure that such information is protected against unauthorized access, use, modification, or other misuse.

(bb) Except as would not result in a Material Adverse Effect, the Company and each of its subsidiaries have good and marketable title in fee simple to, or have valid rights to lease or otherwise use, all items of real or personal property which are material to the business of the Company and its subsidiaries taken as a whole, in each case free and clear of all liens, encumbrances, security interests, claims and defects that do not, singularly or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its subsidiaries; and all of the leases and subleases material to the business of the Company and its subsidiaries, considered as one enterprise, and under which the Company or any of its subsidiaries holds properties described in the General Disclosure Package and the Prospectuses, are in full force and effect, and neither the Company nor any subsidiary has any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company or any subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease.

(cc) No labor disturbance by the employees of the Company or any of its subsidiaries exists or, to the Company's knowledge, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or its subsidiaries' principal suppliers, manufacturers, customers or

contractors, that could reasonably be expected, singularly or in the aggregate, to have a Material Adverse Effect. The Company is not aware that any key employee or significant group of employees of the Company or any subsidiary plans to terminate employment with the Company or any such subsidiary.

(dd) The Company and its subsidiaries are in compliance with all Canadian, federal, local, provincial and territorial rules, laws and regulations relating to the use, treatment, storage and disposal of hazardous or toxic substances or waste and protection of health and safety or the environment which are applicable to their businesses ("Environmental Laws"), except where the failure to comply would not, singularly or in the aggregate, have a Material Adverse Effect. There has been no storage, generation, transportation, handling, treatment, disposal, discharge, emission, or other release of any kind of toxic or other wastes or other hazardous substances by, due to, or caused by the Company or any of its subsidiaries (or, to the Company's knowledge, any other entity for whose acts or omissions the Company or any of its subsidiaries is or may otherwise be liable) upon any of the property now or previously owned or leased by the Company or any of its subsidiaries, or upon any other property, in violation of any law, statute, ordinance, rule, regulation, order, judgment, decree or permit or which would, under any law, statute, ordinance, rule (including rule of common law), regulation, order, judgment, decree or permit, give rise to any liability, except for any violation or liability which would not have, singularly or in the aggregate with all such violations and liabilities, a Material Adverse Effect; and there has been no disposal, discharge, emission or other release of any kind onto such property or into the environment surrounding such property of any toxic or other wastes or other hazardous substances with respect to which the Company or any of its subsidiaries has knowledge, except for any such disposal, discharge, emission, or other release of any kind which would not have, singularly or in the aggregate with all such discharges and other releases, a Material Adverse Effect.

(ee) The clinical, pre-clinical and other studies and tests conducted by or on behalf of or sponsored by the Company or its subsidiaries that are described or referred to in the General Disclosure Package and the Prospectuses were and, if still pending, are being conducted in accordance with all statutes, laws, rules and regulations, as applicable (including, without limitation, those administered by the United States Food and Drug Administration (the "FDA") or by any foreign, federal, state or local governmental or regulatory authority performing functions similar to those performed by the FDA). The descriptions of the results of such studies and tests that are described or referred to in the General Disclosure Package and the Prospectuses are accurate and complete in all material respects and fairly present the results derived from such studies and tests, and each of the Company and its subsidiaries has no knowledge of other studies or tests the results of which are materially inconsistent with or otherwise call into question the results described or referred to in the General Disclosure Package and the Prospectuses. Neither the Company nor its subsidiaries has received any notices or other correspondence from the FDA or any other foreign, federal, state or local governmental or regulatory authority performing functions similar to those performed by the FDA with respect to any ongoing clinical or pre-clinical studies or tests requiring the termination or suspension of such studies or tests. The Company has established and administers a compliance program applicable to the Company and its subsidiaries, to assist the Company, its

subsidiaries and their directors, officers and employees of the Company and its subsidiaries in complying with applicable regulatory guidelines (including, without limitation, those administered by the FDA and any other foreign, federal, state or local governmental or regulatory authority performing functions similar to those performed by the FDA). Neither the Company nor any of its subsidiaries has failed to file with the applicable regulatory authorities (excluding the FDA or any foreign, federal, state or local governmental or regulatory authority performing functions similar to those performed by the FDA) any filing, declaration, listing, registration, report or submission that is required to be so filed. Neither the Company nor any of its subsidiaries has failed to file with the FDA or any foreign, federal, state or local governmental or regulatory authority performing functions similar to those performed by the FDA, any filing, declaration, listing, registration, report or submission that is required to be so filed. All such filings were in material compliance with applicable laws when filed and no deficiencies have been asserted by any applicable regulatory authority (including, without limitation, the FDA or any foreign, federal, state or local governmental or regulatory authority performing functions similar to those performed by the FDA) with respect to any such filings, declarations, listings, registrations, reports or submissions.

(ff) The Company and its subsidiaries each (i) have timely filed all necessary federal, state, local and foreign tax returns, and all such returns were true, complete and correct, (ii) have paid all federal, state, local and foreign taxes, assessments, governmental or other charges due and payable for which it is liable, including, without limitation, all sales and use taxes and all taxes which the Company or any of its subsidiaries is obligated to withhold from amounts owing to employees, creditors and third parties, and (iii) do not have any tax deficiency or claims outstanding or assessed or, to its knowledge, proposed against any of them, except those, in each of the cases described in clauses (i), (ii) and (iii) of this Section 3(ff), that would not, singularly or in the aggregate, have a Material Adverse Effect. The accruals and reserves on the books and records of the Company and its subsidiaries in respect of tax liabilities for any taxable period not yet finally determined are adequate to meet any assessments and related liabilities for any such period, and since May 31, 2009 the Company and its subsidiaries have not incurred any liability for taxes other than in the ordinary course.

(gg) The Company and each of its subsidiaries carry, or are covered by, insurance in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties and as is customary for companies engaged in similar businesses in similar industries.

(hh) The Company and each of its subsidiaries maintains a system of internal accounting and other controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of the Company's consolidated financial statements in conformity with Canadian Securities Laws and Canadian GAAP applied on a consistent basis during the periods involved, together with any required reconciliation, in accordance with the Exchange Act and the Commission's rules and guidelines, to U.S. GAAP; and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Since the end of the Company's most recent audited fiscal year, there has been (A) no material weakness in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) (whether or not remediated) and (B) no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company has established and maintains disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) that are designed to ensure that information required to be disclosed by the Company in reports that it files or submits with the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's applicable rules and forms. Since May 31, 2009, there have been no changes in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting, Since May 31, 2009, to the Company's knowledge, no event, circumstance or development has occurred which could reasonably be expected to result in a determination that there is a material weakness in the Company's disclosure controls and procedures or in the Company's internal control over financial reporting.

(ii) All existing minute books of the Company and each of its subsidiaries, including all existing records of all meetings and actions of the board of directors and shareholders of the Company (collectively, the "Corporate Records") have been made available to the Placement Agents and their counsel and all such

Corporate Records are complete in all material respects. There are no transactions, agreements or other actions of the Company or any of its subsidiaries that are required to be recorded in the Corporate Records that are not properly approved and/or recorded in the Corporate Records.

(jj) There is no franchise, lease, contract, agreement or document required by Canadian Securities Laws or the Securities Act to be described in the General Disclosure Package and in the Prospectuses, or to be filed as an exhibit to the Registration Statement, which is not described or filed therein as required; and all descriptions of any such franchises, leases, contracts, agreements or documents contained in the Registration Statement are accurate and complete descriptions of such documents in all material respects. Other than as described in the General Disclosure Package, no such franchise, lease, contract or agreement has been suspended or terminated for convenience or default by the Company or any of the other parties thereto, and neither the Company nor any of its subsidiaries has received notice or has any other knowledge of any such pending or threatened suspension or termination, except for such pending or threatened suspensions or terminations that would not reasonably be

expected to, singularly or in the aggregate, have a Material Adverse Effect.

(kk) No relationship, direct or indirect, exists between or among the Company or any of its subsidiaries, on the one hand, and the directors, officers, shareholders (or analogous interest holders), customers or suppliers of the Company or any of its subsidiaries or any of their respective affiliates on the other hand, which is required to be described in the General Disclosure Package and the Prospectuses, and which is not so described.

(ll) No person or entity has the right to require registration or qualification of Common Shares or other securities of the Company or any of its subsidiaries because of the filing or effectiveness of the Registration Statement or otherwise, except for persons and entities who have expressly waived such right in writing or who have been given timely and proper written notice and have failed to exercise such right within the time or times required under the terms and conditions of such right. Except as described in the General Disclosure Package, there are no persons with registration rights or similar rights to have any securities registered by the Company or any Subsidiary under the Securities Act.

(mm) Neither the Company nor any of its subsidiaries is a party to any contract, agreement or understanding with any person that would give rise to a valid claim against the Company or the Placement Agents for a brokerage commission, finder's fee or like payment in connection with the Offering and sale of the Units or any transaction contemplated by this Agreement, the Registration Statement, the General Disclosure Package or the Prospectuses.

(nn) No forward-looking statement or forward looking information (within the meaning of Section 27A of the Securities Act, Section 21E of the Exchange Act and Section 138.4(9) of the Ontario Securities Act) contained in either the General Disclosure Package or the Prospectuses has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

(oo) The Company has filed or furnished all documents or information required to be filed by it under Canadian Securities Laws, the Securities Act and the Exchange Act, and the rules, regulations and policies of any stock exchange upon which the Common Shares are listed; all press releases, material change reports, annual information forms, financial statements, management proxy circulars and other documents filed by or on behalf of the Company with any stock exchange and the Canadian Securities Commissions in each of the provinces where the Company is a reporting issuer (or the equivalent), as of its date, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and did not contain a misrepresentation (as defined under Canadian Securities Laws) at the time at which it was filed with applicable securities regulators, including, without limitation, the Canadian Securities Commissions and the Commission; the Company has not filed any confidential material change report with any securities regulatory authority or regulator or any exchange or any document for confidential treatment with the Canadian Securities Commissions that at the date hereof remains confidential. The Common Shares are registered pursuant to Section 12(g) of the Exchange Act and are listed on the TSX, and the Company has taken no action designed to, or reasonably likely to have the effect of, terminating the registration of the Common Shares under the Exchange Act or delisting the Common Shares from any stock exchange or other market, nor has the Company received any notification that the Commission, any stock exchange or other market or FINRA is contemplating terminating such registration or listing. The Company has obtained or

will have obtained, or has made or will have made, as applicable, all necessary consents, approvals, authorizations or orders of, or filing, notification or registration with, the TSX required for the listing and trading of the Shares and the Warrant Shares on such stock exchanges or other markets.

(pp) The Company is in material compliance with all applicable provisions of the Sarbanes-Oxley Act of 2002 and all applicable rules and regulations promulgated thereunder or implementing the provisions thereof (the "Sarbanes-Oxley Act").

(qq) Neither the Company nor any of its subsidiaries nor, to the Company's knowledge, any employee or agent of the Company or any subsidiary, has made any contribution or other payment to any official of, or candidate for, any federal, state, local or foreign office in violation of any law, including the Foreign Corrupt Practices Act of 1977, as amended, or the Corruption of Foreign Public Officials Act (Canada), as amended, or of the character required to be disclosed in the General Disclosure Package or the Prospectuses.

(rr) There are no transactions, arrangements or other relationships between and/or among the Company or any if its subsidiaries, any of their respective affiliates (as such term is defined in Rule 405 of the Securities Act) and any unconsolidated entity, including, but not limited to, any structure finance, special purpose or limited purpose entity that could reasonably be expected to materially affect the Company's or any of its subsidiaries' liquidity or the availability of or requirements for their capital resources required to be described in the General Disclosure Package and the Prospectuses, which have not been described as required.

(ss) There are no outstanding loans, advances (except normal advances for business expenses in the ordinary course of business) or guarantees or indebtedness by the Company or any of its subsidiaries to or for the benefit of any of the officers or directors of the Company, any of its subsidiaries or any of their respective family members, except as disclosed in the General Disclosure Package and the Prospectuses.

(tt) The operations of the Company and its subsidiaries are and have been conducted at all times in material compliance with applicable financial recordkeeping and reporting requirements of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada) and applicable rules and regulations thereunder (collectively, the "Money Laundering Laws"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending, or to the knowledge of the Company, threatened.

(uu) There are no affiliations or associations between (i) any member of FINRA and (ii) the Company or any of the Company's officers, directors or 5% or greater security holders or any beneficial owner of the Company's unregistered equity securities that were acquired at any time on or after the 180th day immediately preceding the date the Registration Statement was initially filed with the Commission. The Company will advise the Placement Agent and the FINRA if, to its knowledge, any 5% or greater shareholder of the Company or any beneficial owner of the Company's unregistered equity securities that were acquired at any time on or after the 180th day immediately preceding the date the Registration Statement was initially filed with the Commission is or becomes an affiliate or associated person of a FINRA member participating in the distribution of the Offered Securities.

(vv) The Company is a "reporting issuer" or the equivalent only in the Qualifying Jurisdictions and is not in default of any material requirement of Canadian Securities Laws of any of such Qualifying Jurisdictions.

(ww) The Company is in compliance in all material respects with all its disclosure obligations under Canadian Securities Laws of the Qualifying Jurisdictions (including, without limitation, all of its disclosure obligations pursuant to National Instrument 51-102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators and pursuant to National Instrument 58-101 *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators). All of the documentation which has been filed by or on behalf of the Company with the Canadian Securities Commissions pursuant to the requirements of Canadian Securities Laws, including but not limited to all material change reports, technical reports, press releases and financial statements of the Company (collectively the "Disclosure Documents") is, as of the date thereof, in compliance in all material respects with Canadian Securities Laws of the Qualifying Jurisdictions and did not contain any untrue statement of a material fact

or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and such documents collectively constitute full, true and plain disclosure of all material facts relating to the Company and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, as of the date hereof. There is no fact known to the Company which the Company has not publicly disclosed which would have a Material Adverse Effect, or so far as the Company can reasonably foresee, will have a Material Adverse Effect.

(xx) The Company is in compliance in all material respects with all timely and continuous disclosure obligations under Canadian Securities Laws of the Qualifying Jurisdictions and, without limiting the generality of the foregoing, since May 31, 2009 and other than as disclosed in the General Disclosure Package and Prospectuses, there has not occurred any event resulting in a Material Adverse Effect that has not been publicly disclosed and none of the documents filed by or on behalf of the Company pursuant to Canadian Securities Laws of the Qualifying Jurisdictions contained, as of the date of the filing thereof, any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(yy) No order preventing, ceasing or suspending trading in any securities of the Company or prohibiting the issue and sale of securities by the Company has been issued and no proceedings for either of such purposes have been instituted or, to the best of the knowledge of the Company, are pending, contemplated or threatened.

(zz) The audit committee of the Corporation is comprised and operates in accordance with the requirements of Multilateral Instrument 52-110*Audit Committees* of the Canadian Securities Administrators.

(aaa) Except as disclosed in the Disclosure Documents, neither the Company nor any of its subsidiaries owes any amount to, nor has the Company or any subsidiary any present loans to, or borrowed any amount from or is otherwise indebted to, any officer, director, employee or securityholder of any of them or any Person not dealing at "arm's length" (as such term is defined in the *Income Tax Act* (Canada)) with any of them except for usual employee reimbursements and compensation paid or other advances of funds in the ordinary and normal course of the business of the Company or any of its subsidiaries. Except for usual employee or consulting arrangements made in the ordinary and normal course of business, neither the Company nor any of its subsidiaries is a party to any contract, agreement or understanding with any officer, director, employee or securityholder of any of them or any other person not dealing at arm's length with the Company and its subsidiaries. No officer, director or employee of the Company or any of its subsidiaries and no person which is an affiliate or associate of any of the foregoing persons, owns, directly or indirectly, any interest (except for shares representing less than 5% of the outstanding shares of any class or series of any publicly traded company) in, or is an officer, director, employee or consultant of, any person which is, or is engaged in, a business competitive with the business of the Company or any of its subsidiaries which could have a Material Adverse Effect on the ability to properly perform the services to be performed by such person for the Company or any of its subsidiaries. No officer, director, employee or securityholder of the Company or any of its subsidiaries has any cause of action or other claim whatsoever against, or owes any amount to, the Company or any of its subsidiaries except for claims in the ordinary and normal course of the business of the Company or any of its subsidiaries such as for accrued vacation pay or other amounts or matters which would not be material to the Company.

(bbb) The Company has not withheld from the Placement Agents any fact or information relating to the Company, any of its subsidiaries or to the Offering that would be material to the Placement Agent.

(ccc) To the knowledge of the Company, no insider of the Company (as such term is defined in the Securites Act (Ontario)), other than High Tech Beteiligungen & Co. KG has a present intention to sell any securities of the Company held by it.

4. *Agreements of the Company.* The Company covenants and agrees with the Placement Agents and the Purchasers as follows:

(a) The Registration Statement has become effective under the Securities Act, and if Rule 430A is used or the filing of the U.S. Prospectus is otherwise required under Rule 424(b), the Company will file the U.S. Prospectus (properly completed if Rule 430A has been used), subject to the prior approval of the Placement Agents (which approval shall not be unreasonably withheld, conditioned or delayed), pursuant to Rule 424(b) within the prescribed time period and will provide a copy of such filing to the Placement Agents promptly following such filing.

(b) (i) Other than as described in Section 4(a) or as required hereunder, the Company will make no further amendment or supplement prior to the Closing Date to the Registration Statement or any amendment or supplement to the Prospectuses without the consent of the Placement Agents, which consent shall not be unreasonably withheld or delayed; (ii) for so long as the delivery of a prospectus is required in connection with the Offering or sale of the Units, to advise the Placement Agents promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement or amendment to the Prospectuses has been filed and to furnish the Placement Agents with copies thereof; (iii) to file promptly all reports required to be filed by the Company with the Commission; (iv) to file all reports and other documents required to be filed by the Company with the Canadian Securities Commissions to comply with Canadian Securities Laws and with the TSX to procure and ensure the continued listing of the Shares and the Warrant Shares thereon subsequent to the date of the Prospectuses and for so long as the delivery of a prospectus is required in connection with the Offering or sale of the Units; and, for so long as the delivery of a prospectus is required in connection with the Offering or sale of the Units, to provide the Placement Agents with a copy of such reports and statements and other documents filed by the Company pursuant to Section 13, 14 or 15(d) of the Exchange Act or pursuant to Canadian Securities Laws and to promptly notify the Placement Agents of such filing; (v) to advise the Placement Agents, promptly after it receives notices thereof, (x) of any request by or the Commission to amend or supplement the Registration Statement, the U.S. Prospectus or the Issuer Free Writing Prospectus, if any, or for additional information with respect thereto or (y) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the U.S. Prospectus or the institution or threatening of any proceeding for any such purpose; (vi) to advise the Placement Agents promptly of the happening of any event within the time during which a prospectus relating to the Units is required to be delivered under the Securities Act which could require the making of any change in the Prospectuses, if any, then being used so that the Prospectuses would not include an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading, and, during such time, to prepare and furnish promptly to the Placement Agents, at the Company's expense, such amendments or supplements to the Prospectuses, as may be necessary to reflect any such change; and (vii) in the event the Commission shall issue any order suspending the effectiveness of the Registration Statement or the Canadian Securities Commissions shall issue any cease trading order, promptly to use its reasonable best efforts to obtain the withdrawal of such order at the earliest practicable moment; and to use its reasonable best efforts to prevent the issuance of any such order.

(c) If during the period in which a prospectus is required by law to be delivered by a Placement Agent or a dealer in connection with the distribution of the Units contemplated by the Prospectuses, any event shall occur that makes the Registration Statement, the Prospectuses or the General Disclosure Package contain an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading, or that as a result of which, in the judgment of the Company or in the reasonable opinion of the Placement Agents or their counsel, it becomes necessary to amend or supplement the Registration Statement in order to ensure that it does not contain any untrue statement of material fact or any omission to state a material fact necessary to make the statements therein not misleading, or the Prospectuses in order to ensure that they do not contain an untrue statement of material fact or any omission to state a material fact necessary to make the statements therein, in the light of the circumstances in which they are made, not misleading, the Company promptly will prepare and file with the Commission, and furnish at its own expense to the Placement Agents, an appropriate amendment to the Registration Statement or supplement to the Prospectuses so that the Registration Statement or Prospectuses, as so amended or supplemented, will not include an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made when it is so delivered, not misleading.

(d) The Company represents and agrees that, unless it obtains the prior written consent of the Placement Agents, which consent shall not be

unreasonably withheld or delayed, and each Placement Agent

represents and agrees that, unless it obtains the prior consent of the Company, it has not made and will not, make any offer relating to the Units that would constitute a "free writing prospectus" as defined in Rule 405 under the Securities Act (each, a "Permitted Free Writing Prospectus"); provided that the prior written consent of the Placement Agents hereto shall be deemed to have been given in respect of the Issuer Free Writing Prospectus(es) included in Schedule A hereto. The Company represents that solely for purposes of compliance with the filing and legending requirements of Rules 164 and 433 under the Securities Act, it has treated and agrees that it will treat each Permitted Free Writing Prospectus (other than an Issuer Free Writing Prospectus) as an Issuer Free Writing Prospectus, provided that in each case it shall have been informed by the Placement Agents of the existence of such Permitted Free Writing Prospectus , and provided that the Placement Agents shall have timely provided a copy of such Permitted Free Writing Prospectus to the Company. The Company shall not take any action that would result in the Placement Agents or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of the Placement Agents that the Placement Agents otherwise would not have been required to file thereunder. For greater certainty, references in this Agreement to an Issuer Free Writing Prospectus shall not, except for purposes of this paragraph (d), include any Permitted Free Writing Prospectus that would not be treated as an Issuer Free Writing Prospectus but for this paragraph.

(e) If the General Disclosure Package is being used to solicit offers to buy the Units at a time when the Prospectuses are not yet available to prospective purchasers and any event shall occur as a result of which, in the judgment of the Company or in the reasonable opinion of the Placement Agents, it becomes necessary to amend or supplement the General Disclosure Package in order to make the statements therein, in the light of the circumstances then prevailing, not misleading, or to make the statements therein not conflict with the information contained, or incorporated by reference, in the Registration Statement then on file and not superseded or modified, the Company shall prepare and file with the Commission an appropriate amendment or supplement to the General Disclosure Package so that the General Disclosure Package as so amended or supplemented will not include an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(f) To deliver promptly to the Placement Agents such number of the following documents as the Placement Agents shall reasonably request: (i) conformed copies of the Registration Statement as originally filed with the Commission (in each case excluding exhibits), (ii) any Preliminary Prospectus, (iii) any Issuer Free Writing Prospectus (the delivery of the documents referred to in clauses (i), (ii) and (iii) of this Section 4(g) to be made not later than 10:00 A.M., Eastern time, on the business day following the execution and delivery of this Agreement), (iv) the Prospectuses (the delivery of which to be made promptly following the filing thereof with the Commission and the Canadian Securities Commission, as applicable), (v) conformed copies of any amendment to the Registration Statement (excluding exhibits) and (vi) any amendment or supplement to the Prospectuses (the delivery of the documents referred to in clauses (v) and (vi) of this Section 4(g) to be made not later than 10:00 A.M., Eastern time, on the business day following the date of such amendment or supplement).

(g) To make generally available to its shareholders as soon as practicable, but in any event not later than eighteen (18) months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Securities Act), an earnings statement of the Company and is subsidiaries (which need not be audited) complying with Section 11(a) of the Securities Act.

(h) To take promptly from time to time such actions as the Placement Agents may reasonably request to qualify the Units for offering and sale under the securities or Blue Sky laws of such jurisdictions (domestic or foreign) as the Placement Agents may designate and to continue such qualifications in effect, and to comply with such laws, for so long as required to permit the offer and sale of the Units in such jurisdictions; provided that the Company and its subsidiaries shall not be obligated to qualify as foreign corporations in any jurisdiction in which they are not so qualified or to file a general consent to service of process in any jurisdiction.

(i) For the period commencing on the date hereof and until 90 days after the date of the Prospectuses or such earlier date that the Placement Agents consent to in writing (the "Lock-Up Period"), the Company will not, directly or indirectly, take any of the following actions with respect to its Common Shares or any securities convertible into or exchangeable or exercisable for its Common Shares ("Lock-Up Securities"): (i) offer, sell, issue, contract to sell, pledge or otherwise dispose of, Lock-Up Securities, (ii) offer, sell, issue, contract to sell,

contract to purchase or grant any option, right or warrant to purchase Lock-Up Securities, (iii) enter into any swap, hedge or any other agreement that transfers, in whole or in part, the economic consequences of ownership of Lock-Up Securities, (iv) establish or increase a put equivalent position or liquidate or decrease a call equivalent position in Lock-Up Securities within the meaning of Section 16 of the Exchange Act or (v) file with the Commission a registration statement under the Act relating to Lock-Up Securities, or publicly disclose the intention to take any such action, without the prior written consent of the Placement Agents, except issuances of Lock-Up Securities pursuant to the conversion of convertible securities or the exercise of warrants or options, in each case outstanding on the date of this Agreement, grants of employee stock options pursuant to the terms of a plan in effect on the date of this Agreement, or issuances of Lock-Up Securities pursuant to the exercise of such options.

(j) To make available to U.S. shareholders, upon their written request, timely and accurate information as to the Company's status as a "passive foreign investment company" ("PFIC") under the meaning of Section 1297 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") and the status of any subsidiary corporation that is also a PFIC (a "Subsidiary PFIC") in which the Company owns more than 50% of such Subsidiary PFIC's total aggregate voting power, and for each year the Company is a PFIC, provide to a U.S. shareholder, upon such shareholder's written request, all information and documentation that a U.S. shareholder making a "qualified electing fund" election (under the meaning of Section 1295 of the Code) with respect to the Company and such more than 50% owned Subsidiary PFIC is required to obtain for U.S. federal income tax purposes.

(k) To supply the Placement Agents with copies of all correspondence to and from, and all documents issued to and by, the Commission or any Canadian Securities Commission in connection with the registration of the Units under the Securities Act or any Registration Statement, any U.S. Preliminary Prospectus, Canadian Preliminary Prospectus or the Prospectuses, or any amendment or supplement thereto.

(l) Prior to the Closing Date, to furnish to the Placement Agents, as soon as they have been prepared, copies of any unaudited interim consolidated financial statements of the Company for any periods subsequent to the periods covered by the financial statements appearing in the Registration Statement and the Prospectuses.

(m) Prior to the Closing Date, not to issue any press release or other communication directly or indirectly or hold any press conference with respect to the Company, its condition, financial or otherwise, or earnings, business affairs or business prospects (except for routine oral marketing communications in the ordinary course of business and consistent with the past practices of the Company and of which the Placement Agents are notified), without the prior written consent of the Placement Agents, which consent shall not be unreasonably withheld, unless in the judgment of the Company and its counsel, and after notification to the Placement Agents, such press release or communication is required by law.

(n) Until the Placement Agents shall have notified the Company of the completion of the Offering, that the Company will not, and will cause its affiliated purchasers (as defined in Regulation M under the Exchange Act) not to, either alone or with one or more other persons, bid for or purchase, for any account in which it or any of its affiliated purchasers has a beneficial interest, any Common Shares, or attempt to induce any person to purchase any Common Shares; and not to, and to cause its affiliated purchasers not to, make bids or purchase for the purpose of creating actual, or apparent, active trading in or of raising the price of the Common Shares.

(o) Not to take any action prior to the Closing Date which would require the Prospectuses to be amended or supplemented pursuant to this Section 4.

(p) To apply the net proceeds from the sale of the Units as set forth in the Prospectuses under the heading "Use of Proceeds", and, without limiting the generality of the foregoing, will not directly or indirectly use the proceeds of the Offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for any purpose of financing the activities of any person subject to any U.S. sanctions administered by OFAC except in strict compliance with the terms of the OFAC Licenses and any Governmental Permits issued by OFAC subsequent to the date hereof.

(q) To use its reasonable efforts to assist the Placement Agents with any filings required to be made with FINRA and obtaining clearance from FINRA as to the amount of compensation allowable or payable to the Placement Agents.

(r) To use its reasonable best efforts to do and perform all things required to be done or performed under this Agreement by the Company prior to the Closing Date and to satisfy all conditions precedent to the delivery of the Units.

(s) To use its reasonable best efforts to obtain conditional approval from the TSX to ensure that the Shares and the Warrant Shares will be listed and posted for trading on the TSX upon their issue, subject only to satisfying customary TSX listing requirements.

(t) The Company shall use its reasonable best efforts to fulfill all legal requirements to enable the distribution of the Offered Securities and in any event shall file a final short form prospectus and all necessary documents relating thereto (the "Canadian Final Prospectus") and any amendment to the Canadian Final Prospectus, any amendment or supplemental prospectus or ancillary materials that may be filed by or on behalf of the Company under Canadian Securities Laws relating to the distribution of the Offered Securities (collectively the "Supplementary Material" and together with the Canadian Preliminary Prospectus and the Canadian Final Prospectus, the "Canadian Prospectuses") in each of the Qualifying Jurisdictions and obtain, pursuant to the Mutual Reliance Procedures in accordance with NP 11-202, a receipt for the Canadian Final Prospectus and other related documents in respect of the distribution of the Offered Securities on or prior to ·:00 p.m. (Eastern time) on ·, 2010 or such later date as the Placement Agents and the Company may agree, acting reasonably.

(u) The Company shall use its reasonable best efforts to: (i) satisfy as expeditiously as possible any comments made by any Canadian Securities Commissions on the Canadian Preliminary Prospectus; (ii) as soon as practicable, but in any event on or before the Closing Date, file and have a receipt issued for the Canadian Final Prospectus and the Supplementary Material under Canadian Securities Laws of each Qualifying Jurisdiction; and, (iii) in addition to the foregoing, take all other steps and proceedings that may be reasonably necessary in order to qualify the Offered Securities for distribution in each of the Qualifying Jurisdictions:

(v) The Company will advise the Placement Agents, promptly after receiving notice thereof, of the time when the Canadian Prospectuses have been filed and receipts therefor have been obtained pursuant to the Passport Procedures and will provide evidence reasonably satisfactory to the Placement Agents of each such filing and copies of such receipts.

(w) The Company will advise the Placement Agent, promptly after receiving notice or obtaining knowledge thereof, of: (i) the issuance by any Canadian Securities Commissions of any order suspending or preventing the use of the Canadian Prospectuses; (ii) the institution, threatening or contemplation of any proceeding for any such purposes; (iii) any order, ruling, or determination having the effect of suspending the sale or ceasing the trading in any securities of the Company (including the Shares) that has been issued by any Canadian Securities Commission or the institution, threatening or contemplation of any proceeding for any such purposes; or (iv) any requests made by any Canadian Securities Commissions for amending or supplementing the Canadian Prospectuses or for additional information, and will use its commercially reasonable efforts to prevent the issuance of any order referred to in (i) above and, if any such order is issued, to obtain the withdrawal thereof as quickly as possible.

(x) Except to the extent the Company participates in a merger or business combination transaction and following which the Company is not a "reporting issuer" (as defined under Canadian Securities Laws), will use its reasonable best efforts to maintain its status as a "reporting issuer" (or the equivalent thereof) not in default of the requirements of Canadian Securities Laws of each of the Qualifying Jurisdictions which have such a concept to the date which is two years following the Closing Date.

(y) Except to the extent the Company participates in a merger or business combination transaction and following which the Company is not listed on the TSX, will use its reasonable best efforts to maintain the listing of the Shares and Warrant Shares on the TSX or such other recognized stock exchange or quotation system as the Placement Agents may approve, acting reasonably, to the date that is two years following

the Closing Date so long as the Company meets the minimum listing requirements of the TSX or such other exchange or quotation system.

(z) At the respective times of filing and at all times thereafter until the Closing Date, the Canadian Prospectuses will comply with the requirements of Canadian Securities Laws pursuant to which they have been filed and will provide full, true and plain disclosure of all material facts relating to the Company and the Subsidiaries taken as a whole and to the Offered Securities as required by Canadian Securities Laws of the Qualifying Jurisdictions and the Canadian Prospectuses will not contain any misrepresentation.

(aa) The Company will promptly advise the Placement Agents in writing of any material change or change in a material fact contained or referred to in the Canadian Prospectuses which is of such a nature as to render the Canadian Prospectuses untrue or misleading in any material respect, it being understood and agreed that the Company will prepare and file promptly any required amendment to the Canadian Prospectuses and will otherwise comply with all legal requirements necessary to continue to qualify the Offered Securities for distribution to the public in each of the Qualifying Jurisdictions until the Closing Date, provided that the Company shall in good faith discuss with the Placement Agents any change in circumstances (actual, proposed or prospective) which result or could reasonably be expected to result in any material change or change in a material fact and shall consult with the Placement Agents with respect to the form and content of any amendment proposed to be filed by the Company, it being understood and agreed that no such amendment shall be filed with any Canadian Securities Commissions prior to the approval thereof by counsel to the Placement Agents, which approval shall not be unreasonably withheld.

5. *Payment of Expenses.* The Company agrees with the Placement Agents to pay, or reimburse if paid by the Placement Agents, (a) the costs incident to the authorization, issuance, sale, preparation and delivery of the Shares and Warrants to the Purchasers and any stock or transfer taxes and stamp or similar duties payable in that connection; (b) the costs incident to the Registration of the Offered Securities under Canadian Securities Laws and the Securities Act; (c) the costs incident to the preparation, printing, filing and distribution of the Registration Statement, any Prospectuses, any Issuer Free Writing Prospectus, the General Disclosure Package, and any amendments, supplements and exhibits thereto or any document incorporated by reference therein, and the costs of printing, reproducing and distributing, this Agreement and any closing document by mail, telex or other means of communication; (d) the reasonable fees and expenses (including related fees and expenses of counsel for the Placement Agents) incurred in connection with securing any required review by FINRA of the terms of the sale of the Units and any filings made with FINRA, if applicable; (e) any applicable fees related to the listing of the Shares and the Warrant Shares on the TSX; (f) the reasonable fees and expenses of qualifying the Units under the securities laws of the several jurisdictions as provided in Section 4(i) and of researching, preparing, printing and distributing Blue Sky Memoranda (including related fees and expenses of counsel to the Placement Agents); (g) the cost of preparing and printing stock certificates and the Warrants; (h) all fees and expenses of the registrar and transfer agent of the Offered

Securities; and (i) all other costs and expenses incident to the performance of the obligations of the Company under this Agreement, including, without limitation, the fees and expenses of the Company's counsel and the Company's independent accountants and the travel, lodging and other expenses incurred by Company personnel in connection with any "roadshow" including, without limitation, any expenses advanced by the Placement Agents on the Company's behalf (which will be promptly reimbursed upon presentation of a written invoice). Whether or not the issuance and sale of the Units occurs, the Company shall reimburse the Placement Agents for their reasonable out-of-pocket expenses actually incurred in compliance with FINRA Rule 5110(f)(2)(D); provided, however, that such out-of-pocket expenses (other than reasonable fees and disbursements of counsel) shall not exceed $40,000 in the aggregate and the reasonable fees and disbursements of counsel shall not exceed $50,000 (such limitation not to apply to fees and expenses described in clauses (d) and (f) of the preceding sentence), in each case without the Company's prior approval, such approval not to be unreasonably withheld or delayed.

6. *Conditions of Obligations of the Placement Agents and the Purchasers, and the Sale of the Units* The respective obligations of the several Placement Agents hereunder and the Purchasers under the Subscription Agreements are subject to the accuracy, when made and on the Applicable Time and on the Closing Date, of the representations and warranties of the Company contained herein, to the accuracy of the statements of the Company made in any certificates pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder, and to each of the following additional terms and conditions:

(a) No stop or cease-trade order suspending the effectiveness of any Registration Statement or any part thereof, preventing or suspending the use of, any Preliminary Prospectus, the Prospectuses or any Permitted Free Writing Prospectus or any part thereof, any Canadian Preliminary Prospectus, Canadian Final Prospectus or any Supplementary Material or any part thereof shall have been issued and no proceedings for that purpose or pursuant to Section 8A under the Securities Act or under Canadian Securities Laws shall have been initiated or, to the knowledge of the Company, threatened by the Commission or the Canadian Securities Commissions, and all requests for additional information on the part of the Commission or the Canadian Securities Commissions (to be included or incorporated by reference in the Registration Statement, the Prospectuses or otherwise) shall have been complied with to the reasonable satisfaction of the Placement Agents; each Issuer Free Writing Prospectus and the U.S. Prospectus shall have been filed with the Commission within the applicable time period prescribed for such filing by, and in compliance with, the Securities Act; the Canadian Prospectuses shall have been filed with the Canadian Securities Commissions within the applicable time period prescribed for such filing by, and in compliance with, Canadian Securities Laws.

(b) The Placement Agents shall not have discovered and disclosed to the Company on or prior to the Closing Date that any Registration Statement or any amendment or supplement thereto contains an untrue statement of a fact which, in the opinion of counsel for the Placement Agents, is material or omits to state any fact which, in the opinion of such counsel, is material and is required to be stated therein or is necessary to make the statements therein not misleading, or that the General Disclosure Package, any Issuer Free Writing Prospectus or the Prospectuses or any amendment or supplement thereto contains an untrue statement of fact which, in the opinion of such counsel, is material or omits to state any fact which, in the opinion of such counsel, is material and is necessary in order to make the statements, in light of the circumstances in which they were made, not misleading.

(c) All corporate proceedings and other legal matters incident to the authorization, form and validity of each of this Agreement, the Units, the Registration Statement, the General Disclosure Package, each Issuer Free Writing Prospectus, the Prospectuses and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be reasonably satisfactory in all material respects to counsel for the Placement Agents, and the Company shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters.

(d) McCarthy Tétrault LLP shall have furnished to the Placement Agents such counsel's written opinions, as Canadian counsel to the Company, addressed to the Placement Agents and dated the Closing Date, in form and substance reasonably satisfactory to the Placement Agents.

(e) Dorsey & Whitney, LLP shall have furnished to the Placement Agents such counsel's written opinion, as United States counsel to the Company, addressed to the Placement Agents and dated the Closing Date, in form and substance reasonably satisfactory to the Placement Agents.

(f) MBM Intellectual Property Law LLP shall have furnished to the Placement Agents such counsel's written opinion, as United States counsel to the Company, addressed to the Placement Agents and dated the Closing Date, in form and substance reasonably satisfactory to the Placement Agents

(g) At the time of the execution of this Agreement, the Placement Agents shall have received from KPMG LLP a letter, addressed to the Placement Agents, executed and dated such date, in form and substance satisfactory to the Placement Agents (i) confirming that they are an independent registered accounting firm with respect to the Company and its subsidiaries within the meaning of the Securities Act and PCAOB and independent auditors within the meaning of Canadian Securities Laws and (ii) stating the conclusions and findings of such firm, of the type ordinarily included in accountants' "comfort letters" to underwriters, with respect to the financial statements and certain financial information contained or incorporated by reference in the Registration Statement, the General Disclosure Package, or the Prospectuses.

(h) On the effective date of any post-effective amendment to any Registration Statement and on the Closing Date, the Placement Agents shall have received a letter from KPMG LLP addressed to the Placement Agents and dated the Closing Date confirming, as of the date of such letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the General Disclosure Package, the Prospectuses, as the case may be, as of a date not more than three (3) business days

prior to the date of such letter), the conclusions and findings of such firm, of the type ordinarily included in accountants' "comfort letters" to underwriters, with respect to the financial information and other matters covered by its letter delivered to the Placement Agents concurrently with the execution of this Agreement pursuant to Section 6(g).

(i) The Company shall have furnished to the Placement Agents a certificate, dated the Closing Date, of its Chief Executive Officer and its Chief Financial Officer stating that (i) such officers have carefully examined the Registration Statement, the General Disclosure Package, any Permitted Free Writing Prospectus, and the Prospectuses and, in their opinion, the Registration Statement and each amendment thereto, at the Applicable Time and as of the Closing Date did not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and the General Disclosure Package, together with the information permitted to be omitted from the U.S. Preliminary Prospectus pursuant to Rule 430A that is to be included in the U.S. Prospectus when taken together as a whole, as of the Applicable Time, and as of the Closing Date, any Permitted Free Writing Prospectus as of its date and as of the Closing Date, and the Prospectuses and each amendment or supplement thereto, as of the respective date thereof and as of the Closing Date, did not include any untrue statement of a material fact and did not omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading, (ii) since the effective date of the Registration Statement, no event has occurred which should have been set forth in a supplement or amendment to the Registration Statement, the General Disclosure Package, or the Prospectuses, (iii) to the best of their knowledge after reasonable investigation, as of the Closing Date, the representations and warranties of the Company in this Agreement are true and correct and the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date, and (iv) there has not been, subsequent to the date of the most recent audited financial statements included, or incorporated by reference, in the General Disclosure Package, the occurrence of any event that would reasonably be expected to result in a Material Adverse Effect, except as set forth in the General Disclosure Package.

(j) Since the date of the latest audited financial statements included in the General Disclosure Package, or incorporated by reference in the General Disclosure Package as of the date hereof, (i) neither the Company nor any of its subsidiaries shall have sustained any loss or interference with its business from fire,

explosion, flood, terrorist act, or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth in the General Disclosure Package, and (ii) there shall not have been any change in the share capital or long-term debt of the Company or any of its subsidiaries, or any change, or any development involving a prospective change, in or affecting the business, assets, general affairs, management, financial position, shareholders' equity or results of operations of the Company and its subsidiaries, otherwise than as set forth in the General Disclosure Package, the effect of which, in any such case described in clause (i) or (ii) of this Section 6(j), is, in the judgment of the Placement Agents, so material and adverse as to make it impracticable or inadvisable to proceed with the sale or delivery of the Units on the terms and in the manner contemplated in the General Disclosure Package.

(k) No action shall have been taken and no law, statute, rule, regulation or order shall have been enacted, adopted or issued by any governmental agency or body which would prevent the issuance or sale of the Units or materially and adversely affect or potentially materially and adversely affect the business or operations of the Company and its subsidiaries, taken as a whole; and no injunction, restraining order or order of any other nature by any federal or state court of competent jurisdiction shall have been issued which would prevent the issuance or sale of the Units or materially and adversely affect or potentially materially and adversely affect the business or operations of the Company and its subsidiaries, taken as a whole.

(l) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange, the Nasdaq Stock Market, the TSX or in the over-the-counter market, or trading in any securities of the Company on any stock exchange or in the over-the-counter market, shall have been suspended or materially limited, or minimum or maximum prices or maximum range for prices shall have been established on any such exchange or such market by the Commission, by such exchange or market or by any other regulatory body or governmental authority having jurisdiction, (ii) a banking moratorium shall have been declared by Canadian or United States Federal or state authorities or a material disruption has occurred in commercial banking or securities settlement or clearance services in Canada or the United States, (iii) the United States shall have become engaged in hostilities, or the subject of an act of terrorism, or there shall have been an outbreak of or escalation in hostilities involving the United States, or there shall have been a

declaration of a national emergency or war by the United States, or (iv) there shall have occurred such a material adverse change in general economic, political or financial conditions (or the effect of international conditions on the financial markets in the United States or Canada shall be such) as to make it, in the judgment of the Placement Agents, impracticable or inadvisable to proceed with the sale or delivery of the Units on the terms and in the manner contemplated in the General Disclosure Package and the Prospectuses.

(m) The TSX shall have accepted for filing notice of the Offering and shall have conditionally approved the listing and posting of the Shares and the Warrant Shares for trading on the TSX upon their issuance subject only to the satisfaction of customary post-closing requirements.

(n) The Placement Agents shall have received the written agreements, substantially in the form of Exhibit C hereto, of the directors, officers and stockholders of the Company listed in Schedule B to this Agreement.

(o) The Company shall have entered into Subscription Agreements with each of the Purchasers and such agreements shall be in full force and effect.

(p) FINRA shall have raised no objection that has not been resolved to the fairness and reasonableness of the terms of this Agreement or the transactions contemplated hereby.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Placement Agents.

7. *Indemnification and Contribution.*

(a) The Company shall indemnify and hold harmless the Placement Agents, the directors, officers, employees and agents of each Placement Agent and each person, if any, who controls a Placement Agent within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, liabilities, expenses and damages, joint or several, (including any and all investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted), to which it, or any of them, may become subject under the Securities Act or other federal or state statutory law or regulation and securities legislation in the provinces and territories of Canada, at common law or otherwise, insofar as such losses, claims, liabilities, expenses or damages arise out of or are based on (i) any untrue statement or alleged untrue statement made by the Company in Section 3 of this Agreement, (ii) any untrue statement or alleged untrue statement of any material fact contained in (A) any U.S. Preliminary Prospectus or Canadian Preliminary Prospectus, the Registration Statement or the Prospectuses or any amendment or supplement to the Registration Statement or the Prospectuses, (B) any Issuer Free Writing Prospectus or any amendment of supplement thereto, or (C) any Permitted Free Writing Prospectus used or referred to by the Placement Agents and (D) any application or other document, or any amendment or supplement thereto, executed by the Company or based upon written information furnished by or on behalf of the Company filed in any jurisdiction in order to qualify the Shares under the securities or Blue Sky laws thereof or filed with the Commission or any securities association or securities exchange (each, an "Application"), or (iii) the omission or alleged omission to state in any U.S. Preliminary Prospectus or Canadian Preliminary Prospectus, the Registration Statement, the Prospectuses or any Issuer Free Writing Prospectus, or any amendment or supplement thereto, or in any Permitted Free Writing Prospectus or any Application a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; provided, however, that the Company will not be liable to the extent that such loss, claim, liability, expense or damage arises from the sale of the Units in the public offering to any person and is based solely on an untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information relating to the Placement Agents furnished in writing to the Company by the Placement Agents expressly for inclusion in the Registration Statement, any Prospectuses, any Issuer Free Writing Prospectus or in any amendment or supplement thereto. This indemnity agreement will be in addition to any liability which the Company may otherwise have. The Company will not, without the prior written consent of the Placement Agents (which will not be unreasonably withheld), settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought hereunder (whether or not a Placement Agent or any

person who controls a Placement Agent within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act is a party to each claim, action, suit or proceeding), unless such settlement, compromise or consent includes an unconditional release of such Placement Agent and each such controlling person from all liability arising out of such claim, action, suit or proceeding.

(b) The Placement Agents will indemnify and hold harmless the Company, each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, each director of the Company and each officer of the Company who signs the Registration Statement to the same extent as the foregoing indemnity from the Company to the Placement Agents but only insofar as losses, claims, liabilities, expenses or damages arise out of or are based on any untrue statement or omission or alleged untrue statement or omission made in reliance on and in conformity with information relating to the Placement Agents furnished in writing to the Company by the Placement Agents expressly for use in the Registration Statement, any Prospectuses or any Issuer Free Writing Prospectus. This indemnity agreement will be in addition to any liability that the Placement Agents might otherwise have. The Company acknowledges that, for all purposes under this Agreement, the statements set forth under the third and fourth paragraphs under the heading "Plan of Distribution" in any U.S. Preliminary Prospectus or Canadian Preliminary Prospectus and the Prospectuses constitute the only information relating to the Placement Agents furnished in writing to the Company by the Placement Agents expressly for inclusion in the Registration Statement, any Prospectuses or any Issuer Free Writing Prospectus. Notwithstanding the provisions of this Section 7(b) in no event

shall any indemnity by a Placement Agent under this Section 7(b) exceed the total compensation received by such Placement Agent in accordance with Section 1.

(c) Any party that proposes to assert the right to be indemnified under this Section 7 will, promptly after receipt of notice of commencement of any action against such party in respect of which a claim is to be made against an indemnifying party or parties under this Section 7, notify each such indemnifying party of the commencement of such action, enclosing a copy of all papers served, but the omission so to notify such indemnifying party will not relieve it from any liability that it may have to any indemnified party under the foregoing provisions of this Section 7 unless, and only to the extent that, such omission results in the forfeiture of substantive rights or defenses by the indemnifying party. If any such action is brought against any indemnified party and it notifies the indemnifying party of its commencement, the indemnifying party will be entitled to participate in and, to the extent that it elects by delivering written notice to the indemnified party promptly after receiving notice of the commencement of the action from the indemnified party, jointly with any other indemnifying party similarly notified, to assume the defense of the action, with counsel reasonably satisfactory to the indemnified party, and after notice from the indemnifying party to the indemnified party of its election to assume the defense, the indemnifying party will not be liable to the indemnified party for any legal or other expenses except as provided below and except for the reasonable costs of investigation subsequently incurred by the indemnified party in connection with the defense. The indemnified party will have the right to employ its own counsel in any such action, but the fees, expenses and other charges of such counsel will be at the expense of such indemnified party unless (1) the employment of counsel by the indemnified party has been authorized in writing by the indemnifying party, (2) the indemnified party has reasonably concluded (based on advice of counsel) that a conflict exists (based on advice of counsel to the indemnified party) between the indemnified party and the indemnifying party that would prevent the counsel selected by the indemnifying party from representing the indemnified party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party) or (3) the indemnifying party has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees, disbursements and other charges of counsel will be at the expense of the indemnifying party or parties. It is understood that the indemnifying party or parties shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees, disbursements and other charges of more than one separate firm admitted to practice in such jurisdiction at any one time for all such indemnified party or parties. All such fees, disbursements and other charges will be reimbursed by the indemnifying party promptly as they are incurred. The Company will not, without the prior written consent of the Placement Agents (which consent will not be unreasonably withheld), settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action, suit or proceeding in respect of which indemnification has been sought hereunder (whether or not a Placement Agent or any person who controls a Placement Agent within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act is a party to such claim, action, suit or proceeding), unless such settlement, compromise or consent includes an unconditional release of such Placement Agent and each such controlling person

from all liability arising out of such claim, action, suit or proceeding. An indemnifying party will not be liable for any settlement of any action or claim effected without its written consent (which consent will not be unreasonably withheld).

(d) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in the foregoing paragraphs of this Section 7 is applicable in accordance with its terms but for any reason is held to be unavailable from the Company or the Placement Agents, the Company and the Placement Agents will contribute to the total losses, claims, liabilities, expenses and damages (including any investigative, legal and other expenses reasonably incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claim asserted, but after deducting any contribution received by the Company from persons other than the Placement Agents such as persons who control the Company within the meaning of the Securities Act or the Exchange Act, officers of the Company who signed the Registration Statement and directors of the Company, who also may be liable for contribution) to which the Company and the Placement Agents may be subject in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and the Placement Agents on the other. The relative benefits received by the Company on the one hand and the Placement Agents on the other shall be deemed to be in the same proportion as the total net proceeds from the Offering (before deducting Company expenses) received by the Company as set forth in the table on the cover page of the Prospectuses bear to the fee received by the Placement Agents hereunder. If, but only if, the allocation provided by the foregoing sentence is not permitted by applicable law, the allocation of contribution shall be made in such proportion as is appropriate to reflect not only the relative benefits referred to in the foregoing sentence but also the relative fault of the Company, on the one hand, and the Placement Agents on the other, with respect to the statements or omissions which resulted in such loss, claim, liability, expense or damage, or action in respect thereof, as well as any other relevant equitable considerations with respect to such offering. Such relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Placement Agents, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Placement Agents agree that it would not be just and equitable if contributions pursuant to this Section 7(d) were to be determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, liability, expense or damage, or action in respect thereof, referred to above in this Section 7(d) shall be deemed to include, for purpose of this Section 7(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 7(d), no Placement Agent shall be required to contribute any amount in excess of the fee received by it, and no person found guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 7(d), any person who controls a party to this Agreement within the meaning of the Securities Act or the Exchange Act will have the same rights to contribution as that party, and each officer of the Company who signed the Registration Statement will have the same rights to contribution as the Company, subject in each case to the provisions hereof. Any party entitled to contribution, promptly after receipt of notice of commencement of any action against such party in respect of which a claim for contribution may be made under this Section 7(d), will notify any such party or parties from whom contribution may be sought, but the omission so to notify will not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have under this Section 7(d). No party will be liable for contribution with respect to any action or claim settled without its written consent (which consent will not be unreasonably withheld).

8. *Termination*. The obligations of the Placement Agents hereunder may be terminated by the Lead Bookrunner in its absolute discretion by notice given to the Company prior to delivery of and payment for the Units if, prior to that time, any of the events described in Sections 6(j), 6(k) or 6(l) have occurred or if the Purchasers of a material number of Units shall decline to purchase the Units for any reason permitted under the Subscription Agreements.

9. *Reimbursement of Placement Agent's Expenses.* If the sale of the Units provided for herein is not consummated because any condition to the obligations of the Placement Agents and the Purchasers set forth in Section 6 hereof is not satisfied, because of any termination pursuant to Section 8 hereof or because of any refusal, inability or failure on the part of the Company to perform any agreement herein or comply with any provision hereof

other than by reason of a default by the Placement Agents, the Company will reimburse the Placement Agents for all reasonable out-of-pocket expenses (including reasonable fees and disbursements of counsel and any expenses advanced by the Placement Agents on the Company's behalf) that shall have been incurred by the Placement Agents in connection with this Agreement and the proposed purchase and sale of the Units and the Company shall pay the full amount thereof to the Placement Agents.

10. *Absence of Fiduciary Relationship.* The Company acknowledges and agrees that (a) each Placement Agent's responsibility to the Company is solely contractual in nature, the Placement Agents have been retained solely to act as placement agent in connection with the sale of the Units and no fiduciary or advisory relationship between the Company and any Placement Agent has been created in respect of any of the transactions contemplated by this Agreement, irrespective of whether any Placement Agent has advised or is advising the Company on other matters; (b) the price of the Units to be sold in the Offering was established by the Company following discussions and arm's-length negotiations with the Purchasers, and the Company is capable of evaluating and understanding, and understands and accepts, the terms, risks and conditions of the transactions contemplated by this Agreement; (c) the Company has been advised that each Placement Agent and its affiliates are engaged in a broad range of transactions which may involve interests that differ from those of the Company and that each Placement Agent has no obligation to disclose such interests and transactions to the

Company by virtue of any fiduciary, advisory or agency relationship; and (d) the Company waives, to the fullest extent permitted by law, any claims it may have against any Placement Agent for breach of fiduciary duty or alleged breach of fiduciary duty and agrees that no Placement Agent shall have any liability (whether direct or indirect) to the Company in respect of such a fiduciary duty claim.

11. *Successors; Persons Entitled to Benefit of Agreement.* This Agreement shall inure to the benefit of and be binding upon the several Placement Agents, the Purchasers, the Company and their respective successors and assigns. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, other than the persons mentioned in the preceding sentence, any legal or equitable right, remedy or claim under or in respect of this Agreement, or any provisions herein contained, this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of such persons and for the benefit of no other person, except that (i) the indemnification and contribution contained in Sections 7(a) and (d) of this Agreement shall also be for the benefit of the directors, officers, employees and agents of each Placement Agent and any person or persons who control such Placement Agent within the meaning of Section 15 of the Act or Section 20 of the Exchange Act and (ii) the indemnification and contribution contained in Sections 7(b) and (d) of this Agreement shall also be for the benefit of the directors of the Company, the officers of the Company who have signed the Registration Statement and any person or persons who control the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act. It is understood that each Placement Agent's responsibility to the Company is solely contractual in nature and no Placement Agent owes the Company, or any other party, any fiduciary duty as a result of this Agreement.

12. *Survival of Indemnities, Representations, Warranties, etc.* The respective indemnities, covenants, agreements, representations, warranties and other statements of the Company and the Placement Agents as set forth in this Agreement or made by them respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation made by or on behalf of the Placement Agents, the Company, the Purchasers or any person controlling any of them and shall survive delivery of and payment for the Units.

13. *Notices*. All statements, requests, notices and agreements hereunder shall be in writing, and (a) if to the Placement Agents, shall be delivered or sent by mail to the Placement Agents c/o Global Hunter Securities, LLC, 400 Poydras Street, Suite 1510, New Orleans, Louisiana 70130, Attention: Gary Meringer (Fax: 949-720-7227), with a copy to: Pillsbury Winthrop Shaw Pittman LLP, 50 Fremont Street, San Francisco, California 94105, Attention: Michael J. Sullivan, and (b) if to the Company shall be delivered or sent by mail, telex or facsimile transmission to Lorus Therapeutics Inc., 2 Meridian Road, Toronto, Ontario Canada M9W 4Z7, Attention: Chief Executive Officer, with copies (which shall not constitute notice) to: McCarthy Tétrault LLP, Suite 5300, TD Bank Tower, Toronto Dominion Centre, Toronto, Ontario Canada M5K 1E6, Attention: Vanessa Grant and Dorsey & Whitney LLP, 777 Dunsmuir Street, Suite 1605, P.O. Box 10444, Pacific Centre, Vancouver, BC Canada V7Y 1K4, Attention: Daniel M. Miller. Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof, except that any such statement, request, notice or agreement delivered or sent by email shall take

effect at the time of confirmation of receipt thereof by the recipient thereof. Any notice under Section 7 may be made by facsimile or telephone, but if so made shall be subsequently confirmed in writing.

14. *Definition of Certain Terms.* For purposes of this Agreement, (a) "business day" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York and the City of Toronto, Ontario are authorized or required by law to remain closed and (b) "subsidiary" has the meaning set forth in Rule 405 of the Securities Act.

15. *Governing Law, Agent For Service and Jurisdiction.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York, including without limitation Section 5-1401 of the New York General Obligations Law. No legal proceeding may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts shall have jurisdiction over the adjudication of such matters, and the Company and the Placement Agents each hereby consents to the jurisdiction of such courts and personal service with respect thereto. The Company and the Placement Agents each hereby consent to personal jurisdiction, service and venue in any court in which any legal proceeding arising out of or in any way relating to this Agreement is brought by any third party against the Company or any Placement Agent. The Company and the Placement Agents each hereby waive all right to trial by jury in any legal proceeding (whether based upon contract, tort or otherwise) in any way arising out of or relating to this Agreement. The Company agrees that a final judgment in any such legal proceeding brought in any such court shall be conclusive and binding upon the Company and the Placement Agents and may be enforced in any other courts in the jurisdiction of which the Company is or may be subject, by suit upon such judgment.

16. *Partial Unenforceability*. The invalidity or unenforceability of any Section, paragraph, clause or provision of this Agreement shall not affect the validity or enforceability of any other Section, paragraph, clause or provision hereof. If any Section, paragraph, clause or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

17. *General*. This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof. In this Agreement, the masculine, feminine and neuter genders and the singular and the plural include one another. The section headings in this Agreement are for the convenience of the parties only and will not affect the construction or interpretation of this Agreement. This Agreement may be amended or modified, and the observance of any term of this Agreement may be waived, only by a writing signed by the Company and the Placement Agents.

18. *Counterparts*. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

19. *FINRA*. The U.S. Placement Agent acknowledges, understands and agrees to comply with all applicable rules promulgated by FINRA, including but not limited to NASD Rules 2420, 2730, 2740 and 2750.

[Signature Page Follows]

If the foregoing is in accordance with your understanding of the agreement between the Company and the several Placement Agents, kindly indicate your acceptance in the space provided for that purpose below.

Very truly yours,

Lorus Therapeutics Inc.

By: _____

Name:
Title:

ACCEPTED AND AGREED as of the date first written above:

Global Hunter Securities, LLC

By: _____

Name:
Title:

D&D Securities Inc.

By: _____

Name:
Title:

SCHEDULE 1

Placement Agent	Number of Units
Global Hunter Securities, LLC	
D&D Securities Inc.	

SCHEDULE 2

Herbert Abramson
Randall Abramson
Trapeze Asset Management Inc.
Trapeze Capital Corp.

SCHEDULE A

SCHEDULE B

EXHIBIT A

Form of Subscription Agreement

Lorus Therapeutics Inc.
2 Meridian Road
Toronto, Ontario
Canada M9W 4Z7

Gentlemen:

The undersigned (the "'Purchaser") hereby confirms its agreement with Lorus Therapeutics Inc., a corporation continued under the laws of Canada (the "Company"), as follows:

1. This Subscription Agreement, including the Terms and Conditions For Purchase of Units attached hereto asAnnex I (collectively, (this "Agreement") is made as of the date set forth below between the Company and the Purchaser.

2. The Company has authorized the sale and issuance to certain purchasers of up to an aggregate of· units (the "Units"), with each Unit consisting of (i) one common share, without nominal or par value ("Common Shares"), of the Company and (ii) one-half of one common share purchase warrant (a "Warrant" and, collectively, the "Warrants"). Each whole Warrant will entitle the holder to purchase one (1) Common Share at an exercise price of $US · per Common Share (subject to adjustment) and is exercisable commencing six months after the Closing Date (as defined below) for a period of five (5) years from the Closing Date. The certificate representing the Warrants shall be in substantially the form of Exhibit B attached hereto (the "Warrant Certificate"). The aggregate of up to· Common Shares so proposed to be sold is hereinafter referred to as the "Shares." The Units will not be issued or certificated. The Shares and the Warrants are immediately separable and will be issued separately. The Common Shares issuable upon exercise of the Warrants are referred to herein as the "Warrant Shares" and, together with the Units, the Shares and the Warrants, are referred to herein as the "Securities").

3. The offering and sale of the Units (the "Offering") are being made pursuant to (1) the Company's effective Registration Statement on Form F-1 (File No. 333-165922) filed by the Company with the U.S. Securities and Exchange Commission (the "Commission"), including a prospectus included therein (the "Prospectus") (which Registration Statement, together with all amendments or supplements thereto is referred to herein as the "Registration Statement") and (2) if applicable, certain "free writing prospectuses" (as that term is defined in Rule 405 under the Securities Act of 1933, as amended (the "Securities Act")), that have or will be filed with the Commission and delivered to the Purchaser on or prior to the date hereof (each, an "Issuer Free Writing Prospectus").

4. The Company and the Purchaser agree that the Purchaser will purchase from the Company and the Company will issue and sell to the Purchaser the Units set forth below for the aggregate purchase price set forth below. The Units shall be purchased pursuant to the Terms and Conditions for Purchase of Units attached hereto as Annex I and incorporated herein by this reference as if fully set forth herein. The Purchaser acknowledges that the Offering is not being underwritten by the placement agents (the "Placement Agents") named in the Prospectus and that there is no minimum offering amount.

5. The manner of settlement of the Shares included in the Units purchased by the Purchaser shall be as follows:

A. Delivery by crediting the account of the Purchaser's prime broker (as specified by such Purchaser on Exhibit A annexed hereto) with the Depository Trust Company ("DTC") through its Deposit/Withdrawal At Custodian ("DWAC") system, whereby Purchaser's prime broker shall initiate a DWAC transaction on the Closing Date using its DTC participant identification number, and released by Computershare Investor Services Inc. (the "Transfer Agent"), to the Purchaser at the Company's direction. **NO LATER THAN ONE (1) BUSINESS DAY AFTER THE**

EXECUTION OF THIS AGREEMENT BY THE PURCHASER AND THE COMPANY, THE PURCHASER SHALL:

(I) DIRECT THE BROKER-DEALER AT WHICH THE ACCOUNT OR ACCOUNTS TO BE CREDITED WITH THE SHARES ARE MAINTAINED TO SET UP A DWAC INSTRUCTING THE TRANSFER AGENT TO CREDIT SUCH ACCOUNT OR ACCOUNTS WITH THE SHARES, AND

(II) REMIT BY WIRE TRANSFER THE AMOUNT OF FUNDS EQUAL TO THE AGGREGATE PURCHASE PRICE FOR THE UNITS BEING PURCHASED BY THE PURCHASER TO THE FOLLOWING ACCOUNT:

[ ]

IT IS THE PURCHASER'S RESPONSIBILITY TO (A) MAKE THE NECESSARY WIRE TRANSFER OR CONFIRM THE PROPER ACCOUNT BALANCE IN A TIMELY MANNER AND (B) ARRANGE FOR SETTLEMENT BY WAY OF DWAC IN A TIMELY MANNER. IF THE PURCHASER DOES NOT MAKE PROPER ARRANGEMENTS FOR SETTLEMENT IN A TIMELY MANNER, THE PURCHASER MAY BE EXCLUDED FROM THE CLOSING ALTOGETHER.

6. The executed Warrants shall be delivered in accordance with the terms thereof.

7. The Purchaser represents that, except as set forth below, (a) it has had no position, office or other material relationship within the past three years with the Company or persons known to it to be affiliates of the Company, (b) it is not a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") or an Associated Person (as such term is defined under the FINRA's NASD Membership and Registration Rules Section 1011) as of the Closing, and (c) neither the Purchaser nor any group of Purchasers (as identified in a public filing made with the Commission) of which the Purchaser is a part in connection with the Offering, acquired, or obtained the right to acquire, twenty percent (20%) or more of the Common Shares (or securities convertible into or exercisable for Common Shares) or the voting power of the Company on a post-transaction basis.

8. If a resident of the State of California, Purchaser represents that it (a) either (i) has a minimum net worth of at least $75,000 and had minimum gross income of $50,000 during the last tax year and will have (based on a good faith estimate) minimum gross income of $50,000 during the current tax year, or (ii) has a minimum liquid net worth of $150,000, and (b) the aggregate purchase price for the Units purchased by the Purchaser in the Offering does not exceed 10% of the liquid net worth of the Purchaser. "Liquid net worth" for the purposes of this Section 8 shall mean net worth excluding homes, home furnishings and automobiles. If a resident of Colorado, Illinois, Maryland, or Massachusetts, Purchaser represents that it has total assets of more than $5,000,000. If a resident of Kansas, Michigan, Minnesota, Missouri, New Mexico, or Wisconsin Purchaser represents that it has total assets of more than $10,000,000. If a resident of Delaware or Texas, Purchaser represents that it has a net worth of more than $5,000,000. If a resident of Pennsylvania, Purchaser represents that it has a tangible net worth of more than $10,000,000 and that it has been in existence for 18 months. If a resident of Tennessee, Purchaser represents that it has a net worth of more than $1,000,000. If a resident of Washington, Purchaser represents that it has a net worth of more than $10,000,000 and that it has been in operation for at least 12 months. If a resident of Florida, Ohio or Pennsylvania, Purchaser represents that it has total assets of more than $100,000,000 (or in the alternative, for Ohio residents only, that it is a corporation or business trust with a tangible net worth of $10,000,000 or more and that it has been in existence for 18 months).

9. The Purchaser represents that it has received (or otherwise had made available to it by the filing by the Company of an electronic version thereof with the Commission) the Prospectus, dated ·, 2010, which is a part of the Company's Registration Statement, the documents incorporated by reference therein and any Issuer Free Writing Prospectus (collectively, the "Disclosure Package"), prior to or in connection with the receipt of this Agreement.

10. No offer by the Purchaser to buy Units will be accepted and no part of the Purchase Price will be delivered to the Company until the Purchaser has received the Disclosure Package and the Company has accepted such offer by countersigning a copy of this Agreement, and any such offer may be withdrawn or revoked, without obligation or commitment of any kind, at any time prior to the Company (or a Placement Agent on behalf of the Company) sending (orally, in writing or by electronic mail) notice of its acceptance of such offer. An indication of

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interest will involve no obligation or commitment of any kind until the Purchaser has been delivered the Disclosure Package and this Agreement is accepted and countersigned by or on behalf of the Company.

[Remainder of Page Intentionally Left Blank; Signature Page Follows]

Number of Units:

Purchase Price Per Unit:

Aggregate Purchase Price: US$

Number of Warrant Shares (Equal to Number of Units multiplied by 0.5 and rounded down to the nearest whole number):

Please confirm that the foregoing correctly sets forth the agreement between us by signing in the space provided below for that purpose.

Dated as of: ·, 2010

PURCHASER

By: _____

Print Name: _____

Title: _____

Address:

Agreed and Accepted
·, 2010

LORUS THERAPEUTICS INC.

By: _____

Title: _____

[Signature Page to Subscription Agreement]

ANNEX 1

TERMS AND CONDITIONS FOR PURCHASE OF UNITS

1. Authorization and Sale of the Units. Subject to the terms and conditions of this Agreement, the Company has authorized the sale of the Units.

2. Agreement to Sell and Purchase the Units; Placement Agents.

2.1 At the Closing (as defined in Section 3.1). the Company will sell to the Purchaser, and the Purchaser will purchase from the Company, upon the terms and conditions set forth herein, the number of Units set forth on the last page of the Agreement to which these Terms and Conditions for Purchase of Units are attached as Annex I (the "Signature Page") for the aggregate purchase price therefor set forth on the Signature Page.

2.2 The Company proposes to enter into substantially this same form of Subscription Agreement with each purchaser (collectively, the "Other Purchasers") and expects to complete sales of Units to them. The Purchaser and the Other Purchasers are hereinafter sometimes collectively referred to as the "Purchasers," and this Agreement and the Subscription Agreements executed by the Other Purchasers are hereinafter sometimes collectively referred to as the "Agreements."

2.3 Purchaser acknowledges that the Company intends to pay the placement agents (the "Placement Agents") a fee (the "Placement Fee") and certain expenses in respect of the sale of the Units, as further described in the Disclosure Package.

2.4 The Company has entered into a Placement Agency Agreement, dated the date hereof (the "Placement Agreement"), with the Placement Agents that contains certain representations, warranties, covenants and agreements of the Company that may be relied upon by the Purchaser, which shall be a third party beneficiary thereof. The Company confirms that neither it nor any other Person acting on its behalf has provided the Purchaser or their agents or counsel with any information that constitutes or could reasonably be expected to constitute material, nonpublic information, except as has been disclosed in the Prospectus and/or in any Report of Foreign Private Issuer on Form 6-K furnished or to be furnished by the Company to the Commission and incorporated by reference in the Prospectus. The Company understands and confirms that the Purchaser will rely on the foregoing representations in effecting transactions in securities of the Company.

3. Closings and Delivery of the Units and Funds.

3.1 Closing. The completion of the purchase and sale of the Units (the "Closing")will occur at a place and time (the "Closing Date")to be specified by the Company and the Placement Agents, and of which the Purchasers will be notified in advance by the Placement Agents in accordance with Rule 15c6-l promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). At the Closing, (a) the Company shall cause Computershare Investor Services Inc., the Company's transfer agent (the "Transfer Agent"), to deliver to the Purchaser the number of Shares set forth on the Signature Page registered in the name of the Purchaser or, if so indicated on the Purchaser Questionnaire attached hereto as Exhibit A, in the name of a nominee designated by the Purchaser, (b) the Company shall cause to be delivered to the Purchaser one Warrant Certificate representing the right to purchase the number of Warrant Shares set forth on the Signature Page, and (c) the aggregate purchase price for the Units being purchased by the Purchaser will be delivered by or on behalf of the Purchaser to the Company.

3.2 Conditions to the Obligations of the Parties.

(a) Conditions to the Company's Obligations. The Company's obligation to issue and sell the Units to the Purchaser shall be subject to: (i) the receipt by the Company of the purchase price for the Units being purchased hereunder as set forth on the Signature Page and (ii) the accuracy of the representations and warranties made by the Purchaser and the fulfillment of those undertakings of the Purchaser to be fulfilled prior to the Closing Date.

(b) Conditions to the Purchaser's Obligations. The Purchaser's obligation to purchase the Units will be subject to the accuracy of the representations and warranties made by the Company and the fulfillment of those undertakings of the Company to be fulfilled prior to the Closing Date, including, without limitation, those contained in the Placement Agreement, and to the condition that the Placement Agents shall not have: (a) terminated the Placement Agreement pursuant to

the terms thereof or (b) determined that the conditions to the closing in the Placement Agreement have not been satisfied. The Purchaser's obligations are expressly not conditioned on the purchase by any or all of the Other Purchasers of the Units that they have agreed to purchase from the Company. The Purchaser understands and agrees that, in the event that the Placement Agents, in their sole discretion, determine that the conditions to closing of the Offering set forth in the Placement Agreement have not been satisfied or if the Placement Agreement may be terminated for any other reason permitted by such Placement Agreement, then the Placement Agents may, but shall not be obligated to, terminate such Agreement, which shall have the effect of terminating this Subscription Agreement pursuant to Section 14 below.

3.3 Delivery of Funds. Delivery by Electronic Book-Entry at The Depository Trust Company. **No later than one (1) business day after the execution of this Agreement by the Purchaser and the Company,** the Purchaser shall remit by wire transfer the amount of funds equal to the aggregate purchase price for the Units being purchased by the Purchaser to the following account designated by the Company:

[ ]

3.4 Delivery of Shares. Delivery by Electronic Book-Entry at The Depository Trust Company. **No later than one (1) business day after the execution of this Agreement by the Purchaser and the Company,** the Purchaser shall direct the broker-dealer at which the account or accounts to be credited with the Shares being purchased by such Purchaser are maintained, which broker/dealer shall be a DTC participant, to set up a DWAC instructing the Transfer Agent to credit such account or accounts with the Shares. Such DWAC instruction shall indicate the settlement date for the deposit of the Shares, which date shall be provided to the Purchaser by the Placement Agents. Upon the closing of the Offering, the Company shall direct the Transfer Agent to credit the Purchaser's account or accounts with the Shares pursuant to the information contained in the DWAC.

4. Representations, Warranties and Covenants of the Purchaser.

The Purchaser acknowledges, represents and warrants to, and agrees with, the Company and the Placement Agents that:

4.1 The Purchaser (a) is knowledgeable, sophisticated and experienced in making, and is qualified to make, decisions with respect to, investments in securities presenting an investment decision like that involved in the purchase of the Units, including investments in securities issued by the Company and investments in comparable companies, and has requested, received, reviewed and considered all information it deemed relevant in making an informed decision to purchase the Units and (b) the Purchaser, in connection with its decision to purchase the number of Units set forth on the Signature Page, is relying only upon the Disclosure Package.

4.2 (a) No action has been or will be taken in any jurisdiction outside the United States and the Province of Ontario by the Company or the Placement Agents that would permit an offering of the Shares, or possession or distribution of offering materials in connection with the issue of the Shares in any jurisdiction outside the United States and the Province of Ontario where action for that purpose is required, (b) if the Purchaser is outside the United States and the Province of Ontario, it will comply with all applicable laws and regulations in each foreign jurisdiction in which it purchases, offers, sells or delivers Shares or has in its possession or distributes any offering material, in all cases at its own expense, (c) the Placement Agents are not authorized to make and have not made any representation, disclosure or use of any information in connection with the issue, placement, purchase and sale of the Shares, except as set forth or incorporated by reference in the Prospectus.

4.3 (a) The Purchaser has full right, power, authority and capacity to enter into this Agreement and to consummate the transactions contemplated hereby and has taken all necessary action to authorize the execution, delivery and performance of this Agreement, and (b) this Agreement constitutes a valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms, except

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as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' and contracting parties' rights generally and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and except as to the enforceability of any rights to indemnification or contribution that may be violative of the public policy underlying any law, rule or regulation (including any federal or state securities law, rule or regulation).

4.4 The Purchaser understands that nothing in this Agreement, the Prospectus, the Disclosure Package or any other materials presented to the Purchaser in connection with the purchase and sale of the Units constitutes legal, tax or investment advice. The Purchaser has consulted such legal, tax and investment advisors and made such investigation as it, in its sole discretion, has deemed necessary or appropriate in connection with its purchase of Units. The Purchaser also understands that there is no established public trading market for the Warrants being offered in the Offering, and that the Company does not expect such a market to develop. In addition, the Company does not intend to apply for listing of the Warrants on any securities exchange. The Purchaser understands that without an active market, the liquidity of the Warrants will be limited.

4.5 The Purchaser will maintain the confidentiality of all information acquired as a result of the transactions contemplated hereby prior to the public disclosure of that information by the Company in accordance with Section 13 of this Annex.

4.6 Since the time at which a Placement Agent first contacted such Purchaser about the Offering, the Purchaser has not disclosed any information regarding the Offering to any third parties (other than its legal, accounting and other advisors in connection with the Offering) and has not engaged in any purchases or sales of the securities of the Company (including, without limitation, any Short Sales (as defined herein) involving the Company's securities). The Purchaser covenants that it will not engage in any purchases or sales of the securities of the Company (including Short Sales) prior to the time that the transactions contemplated by this Agreement are publicly disclosed. The Purchaser agrees that it will not use any of the Shares and Warrants acquired pursuant to this Agreement to cover any short position in the Common Shares if doing so would be in violation of applicable securities laws. For purposes hereof, "Short Sales" include, without limitation, all "short sales" as defined in Rule 200 promulgated under Regulation SHO under the Exchange Act, whether or not against the box, and all types of direct and indirect share pledges, forward sales contracts, options, puts, calls, short sales, swaps, "put equivalent positions" (as defined in Rule 16a-1(h) under the Exchange Act) and similar arrangements (including on a total return basis), and sales and other transactions through non-U.S. broker dealers or foreign regulated brokers.

5. Survival of Representations, Warranties and Agreements. Notwithstanding any investigation made by any party to this Agreement or by the Placement Agents, all covenants, agreements, representations and warranties made by the Company and the Purchaser herein will survive the execution of this Agreement, the delivery to the Purchaser of the Shares and Warrants being purchased and the payment therefor. The Placement Agents each shall be a third party beneficiary with respect to the representations, warranties and agreements of the Purchaser in Section 4 hereof.

6. Notices. All notices, requests, consents and other communications hereunder will be in writing, will be mailed (a) if within the domestic United States by first-class registered or certified airmail, or nationally recognized overnight express courier, postage prepaid, or by facsimile or (b) if delivered from outside the United States, by International Federal Express or facsimile, and will be deemed given (i) if delivered by first-class registered or certified mail domestic, three business days after so mailed, (ii) if delivered by nationally recognized overnight carrier, one business day after so mailed, (iii) if delivered by International Federal Express, two business days after so mailed and (iv) if delivered by facsimile, upon electronic confirmation of receipt and will be delivered and addressed as follows:

if to the Company, to:

Lorus Therapeutics Inc.
2 Meridian Road, Toronto
Ontario Canada M9W 4Z7
Attention: Chief Executive Officer

Facsimile: (416) 798-2200

with copies to:

McCarthy Tétrault LLP
Suite 5300, TD Bank Tower
Toronto Dominion Centre
Toronto, Ontario Canada M5K 1E6
Attention: Vanessa Grant
Facsimile: (416) 868-0673

and

Dorsey & Whitney LLP
777 Dunsmuir Street, Suite 1605
Vancouver, B.C. Canada V7Y 1K4
Attention: Daniel M. Miller
Facsimile: (604) 687-8504

if to the Purchaser, at its address on the Signature Page hereto, or at such other address or addresses as may have been furnished to the Company in writing.

7. Changes. This Agreement may not be modified or amended except pursuant to an instrument in writing signed by the Company and the Purchaser.

8. Headings. The headings of the various sections of this Agreement have been inserted for convenience of reference only and will not be deemed to be part of this Agreement.

9. Severability. In case any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

10. Governing Law. This Agreement will be governed by, and construed in accordance with, the internal laws of the State of New York, without giving effect to the principles of conflicts of law that would require the application of the laws of any other jurisdiction.

11. Counterparts. This Agreement may be executed in two or more counterparts, each of which will constitute an original, but all of which, when taken together, will constitute but one instrument, and will become effective when one or more counterparts have been signed by each party hereto and delivered to the other parties. The Company and the Purchaser acknowledge and agree that the Company shall deliver its counterpart to the Purchaser along with the Prospectus (or the filing by the Company of an electronic version thereof with the Commission).

12. Confirmation of Sale. The Purchaser acknowledges and agrees that such Purchaser's receipt of the Company's signed counterpart to this Agreement, together with the Prospectus (or the filing by the Company of an electronic version thereof with the Commission) shall constitute written confirmation of the Company's sale of Units to such Purchaser.

13. Press Release. The Company and the Purchaser agree that the Company shall (a) prior to the opening of the financial markets in New York City and Toronto, Canada on ·, 2010 issue a press release announcing the Offering and disclosing all material information regarding the Offering and (b) as promptly as practicable thereafter, furnish a Report of Foreign Private Issuer on Form 6-K to the Commission including such press release.

14. Termination. In the event that the Placement Agreement is terminated by the Placement Agents pursuant to the terms thereof, this Agreement shall terminate without any further action on the part of the parties hereto.

EXHIBIT A

LORUS THERAPEUTICS INC.

PURCHASER QUESTIONNAIRE

Pursuant to Section 3 of Annex I to the Agreement, please provide us with the following information:

1. The exact name that your Shares and Warrants are to be registered in. You may use a nominee name if appropriate:

2. The relationship between the Purchaser and the registered holder listed in response to item 1 above:

3. The mailing address of the registered holder listed in response to item 1 above:

4. The Social Security Number or Tax Identification Number of the registered holder listed in the response to item 1 above:

5. Name of DTC Participant (broker-dealer at which the account or accounts to be credited with the Shares are maintained):

6. DTC Participant Number:

7. Name of Account at DTC Participant being credited with the Shares:

8. Account Number at DTC Participant being credited with the Shares:

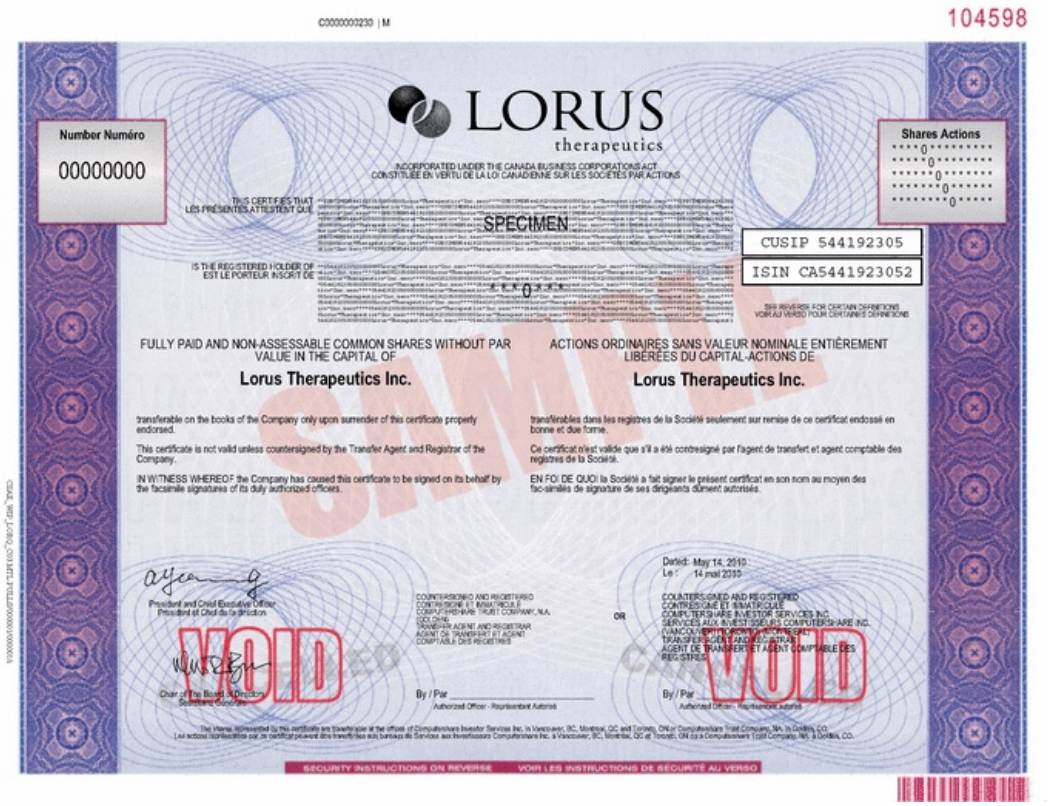
EXHIBIT B

Form of Warrant

EXHIBIT C

Form of Lock-Up Agreement

Exhibit 4.1


C0000000230 | M
104598
LORUS
therapeutics
INCORPORATED UNDER THE CANADA BUSINESS CORPORATIONS ACT
CONSTITUÉE EN VERTU DE LA LOI CANADIENNE SUR LES SOCIÉTÉS PAR ACTIONS
Number Numéro
00000000
Shares Actions
THIS CERTIFIES THAT
LES PRÉSENTES ATTESTENT QUE
SPECIMEN
IS THE REGISTERED HOLDER OF
EST LE PORTEUR INSCRIT DE
CUSIP 544192305
ISIN CA5441923052
SEE REVERSE FOR CERTAIN DEFINITIONS
VOIR AU VERSO POUR CERTAINES DÉFINITIONS
FULLY PAID AND NON-ASSESSABLE COMMON SHARES WITHOUT PAR VALUE IN THE CAPITAL OF
Lorus Therapeutics Inc.
transferable on the books of the Company only upon surrender of this certificate properly endorsed.
This certificate is not valid unless countersigned by the Transfer Agent and Registrar of the Company.
IN WITNESS WHEREOF the Company has caused this certificate to be signed on its behalf by the facsimile signatures of its duly authorized officers.
ACTIONS ORDINAIRES SANS VALEUR NOMINALE ENTIÈREMENT LIBÉRÉES DU CAPITAL-ACTIONS DE
Lorus Therapeutics Inc.
transférables dans les registres de la Société seulement sur remise de ce certificat endossé en bonne et due forme.
Ce certificat n'est valide que s'il a été contresigné par l'agent de transfert et agent comptable des registres de la Société.
EN FOI DE QUOI la Société a fait signer le présent certificat en son nom au moyen des fac-similés de signature de ses dirigeants dûment autorisés.
SAMPLE
President and Chief Executive Officer
Président et Chef de la direction
Chair of The Board of Directors
Secrétaire du Conseil
VOID
COUNTERSIGNED AND REGISTERED
CONTRESIGNÉ ET ENREGISTRÉ
COMPUTERSHARE TRUST COMPANY, N.A.
DENVER
TRANSFER AGENT AND REGISTRAR
AGENT DE TRANSFERT ET AGENT COMPTABLE DES REGISTRES
By / Par
Authorized Officer - Représentant Autorisé
OR
Dated: May 14, 2010
Le : 14 mai 2010
COUNTERSIGNED AND REGISTERED
CONTRESIGNÉ ET ENREGISTRÉ
COMPUTERSHARE INVESTOR SERVICES INC.
SERVICES AUX INVESTISSEURS COMPUTERSHARE INC.
VANCOUVER, MONTREAL, TORONTO
TRANSFER AGENT AND REGISTRAR
AGENT DE TRANSFERT ET AGENT COMPTABLE DES REGISTRES
By / Par
Authorized Officer - Représentant Autorisé
VOID
The shares represented by this certificate are transferable at the offices of Computershare Investor Services Inc. in Vancouver, BC, Montreal, QC and Toronto, ON or Computershare Trust Company, NA. in Golden, CO.
Les actions représentées par ce certificat peuvent être transférées aux bureaux de Services aux Investisseurs Computershare Inc. à Vancouver, BC, Montréal, QC et Toronto, ON ou à Computershare Trust Company, NA. à Golden, CO.
SECURITY INSTRUCTIONS ON REVERSE
VOIR LES INSTRUCTIONS DE SÉCURITÉ AU VERSO

The shares represented by this certificate have rights, privileges, restrictions and conditions attached thereto and the Company will furnish to a shareholder, on demand and without charge, a full copy of the text of: (a) the rights, privileges, restrictions and conditions attached to each class authorized to be issued and to each series in so far as the same have been fixed by the directors; and (b) the authority of the directors to fix the rights, privileges, restrictions and conditions of subsequent series.

Les actions représentées par ce certificat sont assorties de droits, privilèges, restrictions et conditions et la Société fournira à tout actionnaire, sur demande et sans frais, une copie du texte intégral a) des droits, privilèges, restrictions et conditions rattachés à chaque catégorie d'actions dont l'émission est autorisée et à chaque série, dans la mesure fixée par les administrateurs; et b) de l'autorisation donnée aux administrateurs de fixer les droits, privilèges, restrictions et conditions des séries ultérieures.

The following abbreviations shall be construed as though the words set forth below opposite each abbreviation were written out in full where such abbreviation appears:

TEN COM	- as tenants in common
TEN ENT	- as tenants by the entireties
JT TEN	- as joint tenants with rights of survivorship and not as tenants in common
(Name) CUST (Name) UNIF GIFT MIN ACT (State)	- (Name) as Custodian for (Name) under the (State) Uniform Gifts to Minors Act

Additional abbreviations may also be used though not in the above list.

Les abréviations suivantes doivent être interprétées comme si les expressions correspondantes étaient écrites en toutes lettres :

TEN COM	- à titre de propriétaires en commun
TEN ENT	- à titre de tenants unitaires
JT TEN	- à titre de copropriétaires avec gain de survie et non à titre de propriétaires en commun
(Nom) CUST (Nom) UNIF GIFT MIN ACT (Etat)	- (Nom) à titre de dépositaire pour (Nom) en vertu de la Uniform Gifts to Minors Act de (Etat)

Des abréviations autres que celles qui sont données ci-dessus peuvent aussi être utilisées.

For value received the undersigned hereby sells, assigns and transfers unto

Pour valeur reçue, le soussigné vend, cède et transfère par les présentes à

Insert name and address of transferee

Insérer le nom et l'adresse du cessionnaire

shares represented by this certificate and does hereby irrevocably constitute and appoint

actions représentées par le présent certificat et nomme irrévocablement

the attorney of the undersigned to transfer the said shares on the books of the Company with full power of substitution in the premises.

le fondé de pouvoir du soussigné chargé d'inscrire le transfert desdites actions aux registres de la compagnie, avec plein pouvoir de substitution à cet égard.

LE :
DATED: _____

Signature of Shareholder / Signature de l'actionnaire

Signature of Guarantor / Signature du garant

Signature Guarantee: The signature on this assignment must correspond with the name as written upon the face of the certificate(s), in every particular, without alteration or enlargement, or any change whatsoever and must be guaranteed by a major Canadian Schedule I chartered bank or a member of an acceptable Medallion Signature Guarantee Program (STAMP, SEMP, MSP). The Guarantor must affix a stamp bearing the actual words "Signature Guaranteed".

In the USA, signature guarantees must be done by members of a "Medallion Signature Guarantee Program" only.

Signature guarantees are not accepted from Treasury Branches, Credit Unions or Caisses populaires unless they are members of the Stamp Medallion Program.

Garantie de signature : La signature apposée aux fins de cette cession doit correspondre exactement au nom qui est inscrit au recto du certificat, sans aucun changement, et doit être garantie par une banque à charte canadienne de l'Annexe 1 ou un membre d'un programme de garantie de signature Medallion acceptable (STAMP, SEMP, MSP). Le garant doit apposer un timbre portant la mention « Signature garantie » ou « Signature Guaranteed ».

Aux États-Unis, seuls les membres d'un « Medallion Signature Guarantee Program » peuvent garantir une signature.

Les garanties de signature ne peuvent pas être faites par des caisses d'épargne (« Treasury Branches »), des caisses de crédit (« Credit Unions ») ou des Caisses populaires, à moins qu'elles ne soient membres du programme de garantie de signature Medallion STAMP.

SECURITY INSTRUCTIONS - INSTRUCTIONS DE SÉCURITÉ

THIS IS WATERMARKED PAPER, DO NOT ACCEPT WITHOUT NOTING WATERMARK. HOLD TO LIGHT TO VERIFY WATERMARK.

PAPIER FILIGRANÉ, NE PAS ACCEPTER SANS VÉRIFIER LA PRÉSENCE DU FILIGRANE. POUR CE FAIRE, PLACER À LA LUMIÈRE.

Exhibit 4.2

US and Canadian Holders

COMMON SHARE PURCHASE WARRANT
LORUS THERAPEUTICS INC.

Warrant Shares: [ ] Issue Date: [ ], 2010

THIS COMMON SHARE PURCHASE WARRANT (the "Warrant") certifies that, for value received, [ ] (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the Issue Date set forth above, (the "Initial Exercise Date") and on or prior to 5:00:00 p.m, Eastern time on ·, 2015 **[the 5 year anniversary of the Issue Date]** (the "Termination Date") but not thereafter, to subscribe for and purchase from Lorus Therapeutics Inc., a corporation incorporated under the laws of Canada (the "Company"), up to [ ] common shares (the "Warrant Shares") in the capital of the Company. The purchase price of one Common Share under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Definitions. Except as otherwise defined herein, the capitalized terms in this Warrant shall have the meanings set forth in Section 6.

Section 2. Exercise.

(a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of this Warrant a duly executed facsimile copy of the Notice of Exercise in the form attached hereto; and the payment of the aggregate Exercise Price of the shares thereby purchased by wire transfer or cashier's check drawn on a United States bank.

(b) Exercise Price.

(i) The initial exercise price per Common Share under this Warrant (as adjusted pursuant to the terms hereof, the "Exercise Price") shall be US$**[125% of offering price]**.

(ii) Effective ·, 2011 **[first anniversary of the Issue Date]**, the Exercise Price shall be US$**[130% of offering price]**.

(iii) Effective ·, 2012 **[the second anniversary of the Issue Date]**, the Exercise Price shall be US$**[135% of offering price]**.

(iv) Effective ·, 2013 **[the third anniversary of the Issue Date]**, the Exercise Price shall be US$**[140% of offering price]**.

(v) Effective ·, 2014 **[the fourth anniversary of the Issue Date]**, the Exercise Price shall be US$**[145% of offering price]**.

(c) Mechanics of Exercise.

(i) Delivery of Certificates Upon Exercise. Certificates for shares purchased hereunder shall be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's prime broker with the Depository Trust Company through its Deposit Withdrawal Agent Commission ("DWAC") system, provided that (A) the Transfer Agent is then a participant in such system and (B) there is an effective Registration Statement permitting the issuance of the Warrant Shares to the Holder, and otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise by the date that is three (3) Trading Days after the latest of (A) the delivery to the Company of the Notice of Exercise, (B) surrender of this Warrant, and (C) payment of the aggregate Exercise Price as set forth above (such date, the "Warrant Share Delivery Date"). This Warrant shall be deemed to have been exercised on the first date on which all of the foregoing have been delivered to the Company. The Warrant Shares shall be deemed to have been issued, and the Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised.

(ii) Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

(iii) No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. The Holder shall not be entitled to any compensation or other right in lieu of a fractional Warrant Share.

(iv) Charges, Taxes and Expenses. Issuance of certificates for Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for Warrant Shares are to be issued in a name other than the name of the Holder, the Notice of Exercise relating to the exercise of the Warrant and issuance of such Warrant Shares shall be accompanied by the Assignment Form attached hereto duly executed by the Holder.

(v) Closing of Books. The Company will not close its shareholder books or records in any manner which prevents the timely exercise of this Warrant pursuant to the terms hereof.

(vi) Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder a certificate or the certificates representing the Warrant Shares pursuant to Section 2(c)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

(vii) Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder a certificate or the certificates representing the Warrant Shares, or fails to credit the account of the Holder's prime broker with the DTC through the DWAC system for such number of Warrant Shares to which the Holder is entitled, pursuant to an exercise on or by the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder's brokerage firm otherwise purchases, shares of Common Shares to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a "Buy-In"), then the Company shall (A) pay in cash to the Holder the amount by which

(x) the Holders total purchase price (including brokerage commissions, if any) for the shares of Common Shares so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored or deliver to the Holder the number of Warrant Shares that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Shares having a total purchase price of US$11,000 to cover a Buy-In with respect to an attempted exercise of the Warrant for Warrant Shares with an aggregate sale price giving rise to such purchase obligation of US$10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder US$1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing Warrant Shares upon exercise of the Warrant as required pursuant to the terms hereof.

(d) Holder's Exercise Limitations.

(i) The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that as a result of and after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below).

(ii) For purposes of the foregoing sentence, the number of Warrant Shares beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Shares issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of Warrant Shares which would be issuable upon:

(1) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder and any of its Affiliates; and

(2) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Common Stock Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates.

(iii) Except as set forth in subsection 2(d)(ii), for purposes of this Section 2(d), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith.

(iv) To the extent that the limitation contained in this Section 2(d) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined by the Holder in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder.

(v) For purposes of this Section 2(d), in determining the number of outstanding shares of Common Shares, a Holder may rely on the number of outstanding shares of Common Shares as reflected in (A) the Company's most recent periodic or annual report filed with the Commission as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Shares outstanding. In any case, the number of outstanding shares of Common Shares shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates

since the date as of which such number of outstanding shares of Common Shares was reported.

(vi) The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Shares outstanding immediately after giving effect to the issuance of Warrant Shares issuable upon exercise of this Warrant. The Holder may decrease or, upon not less than 61 days' prior notice to the Company, may increase the Beneficial Ownership Limitation provisions of this Section 2(d). Any such increase will not be effective until the 61st day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(d) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation.

(vii) The limitations contained in this Section 2(d) shall apply to a successor holder of this Warrant.

(e) Cancellation of Warrant; Exercise of Warrant Prior to Cancellation. If at any time following ·, 2011 **[the first anniversary of the Issue Date]**, the closing price of the Common Shares on Principal Market upon which the Common Shares may be listed or traded has equaled or exceeded $**[225% of offering price]** for five consecutive Trading Days, the Company may, within five Business Days of such fifth consecutive Trading Day, call this Warrant for cancellation by giving not less than 30 days prior notice to the Holder of such cancellation. Notice of cancellation of the Warrant shall be given at least 30 days prior to the date fixed by the Company for cancellation (the "Cancellation Date") by mailing, by registered or certified mail, return receipt requested, a copy of such notice to the Holder at its address appearing on the Warrant Register, or at such other address or addresses as may have been furnished to the Company in writing not less than 40 days prior to the Cancellation Date. This Warrant shall continue to be outstanding and exercisable by the Holder in accordance with its terms until the Cancellation Date, and if not exercised prior to the Cancellation Date, all rights of the Holder with respect to the Warrant shall terminate on the Cancellation Date. Any notice given by the Company pursuant to this Section 2(e) shall set forth the applicable Exercise Price and the number of shares issuable upon exercise of this Warrant, and state that this Warrant may be exercised by the Holder in accordance with its terms at any time prior to the Cancellation Date.

Section 3. Certain Adjustments.

(a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding:

(i) pays a stock dividend or otherwise makes a distribution or distributions on Common Shares or any other equity or equity equivalent securities payable Common Shares (which, for avoidance of doubt, shall not include any Warrant Shares, issued by the Company upon exercise of this

Warrant);

(ii) subdivides outstanding Common Shares into a larger number of shares;

(iii) combines (including by way of reverse stock split) outstanding Common Shares into a smaller number of shares; or

(iv) issues by reclassification of Common Shares any shares of the Company,

then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of Common Shares (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of Common Shares outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

(b) Rights Offering. If and whenever during the Adjustment Period the Company shall fix a record date for the issuing of rights, options or warrants to all or substantially all of the holders of the Common Shares entitling them for a period expiring not more than forty-five (45) days after such record date (the "Rights Period") to subscribe for or purchase Common Shares (or securities convertible into or exchangeable for Common Shares) at a price per share (or having a conversion or exchange price per share) which is less than 95% of the Current Market Price per Common Share on the record date for such issue (any of such events being called a "Rights Offering"), then effective immediately after such record date the Exercise Price shall be adjusted to a price determined by multiplying the applicable Exercise Price in effect as of the record date for the Rights Offering by a fraction the numerator of which shall be the sum of:

(i) the number of Common Shares outstanding as of the record date for the Rights Offering; and

(ii) a number determined by dividing (A) either (i) the product of the number of Common Shares offered for subscription or purchase during the Rights Period upon exercise of the rights, warrants or options under the Rights Offering and the price at which such Common Shares are offered, or (ii) as the case may be, the product of the number of Common Shares for or into which the convertible or exchangeable securities offered during the Rights Period upon exercise of the rights, warrants or options under the Rights Offering are exchangeable or convertible and the exchange or conversion price of the convertible or exchangeable securities so offered, by (B) the Current Market Price per Common Share as of the record date for the Rights Offering, and

the denominator of which shall be the aggregate of the number of Common Shares outstanding on such record date and the number of Common Shares offered for subscription or purchase during the Rights Period upon exercise of the rights, warrants or options under the Rights Offering or which would be outstanding upon the conversion or exchange of all convertible or exchangeable securities offered during the Rights Period upon exercise of the rights, warrants or options under the Rights Offering, as applicable, in each case after giving effect to the Rights Offering.

Any Common Shares owned by or held for the account of the Company shall be deemed not to be outstanding for the purpose of any computation. If all the rights, options or warrants are not so issued or if all rights, options or warrants are not exercised prior to the expiration thereof, the Exercise Price shall be readjusted to the Exercise Price in effect immediately prior to the record date and the Exercise Price shall be further adjusted based upon the number of Common Shares (or securities convertible or exchangeable for Common Shares) actually delivered upon the exercise of the rights, options or warrants, as the case may be, but subject to any other adjustment required hereunder by reason of any event arising after that record date.

(c) Pro Rata Distributions. If the Company, at any time while this Warrant is outstanding, shall distribute to all holders of Common Shares (and not to the Holders) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than Common Shares (which shall be subject to Section 3(b)), then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the VWAP determined as of the record date mentioned above, and of which the numerator shall be such VWAP on such record date less the then per share fair market value at such record date of the portion of such assets or evidence of indebtedness or rights or warrants so distributed applicable to one outstanding Common Share as determined by the Board of Directors of the Company in good faith. In either case the adjustments shall be described in a statement provided to the Holder of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one Common Share. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

(d) Fundamental Transaction. If, at any time while this Warrant is outstanding, a Fundamental Transaction occurs, then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(d) on the exercise of this Warrant), the number of shares of Common Shares of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Shares for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(d) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such

Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Shares in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Shares are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. The Company shall cause any Successor Entity in a Fundamental Transaction to assume in writing all of the obligations of the Company under this Warrant in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the holder of this Warrant, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its Parent Entity) equivalent to the shares of Common Shares acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Shares pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance

to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction the provisions of this Warrant referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant with the same effect as if such Successor Entity had been named as the Company herein.

(e) Calculations. All calculations under this Section 3 shall be made to the nearest cent and rounded down to the nearest whole Common Share, as the case may be. For purposes of this Section 3, the number of shares of Common Shares deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Shares (excluding treasury shares, if any) issued and outstanding.

(f) Limits on Adjustments. No adjustment to an Exercise Price shall be required unless such adjustment would result in a change of at least 1% in the prevailing Exercise Price and no adjustment in the number of Warrant Shares will be required to be made unless the cumulative effect of such adjustment or adjustments would change the number of Warrant Shares by at least one Warrant Share and, for greater clarity, any adjustment which, except for the qualification of this section, would otherwise have been required to be made shall be carried forward and taken into account in any subsequent adjustment; provided, however, that in no event shall the Company be obligated to issue fractional Warrant Shares or fractional interests in Warrant Shares upon exercise of a Warrant or pay any amount in cash in lieu of issuing fractional Warrant Shares.

(g) Disputes. If a dispute shall at any time arise with respect to adjustments to the Exercise Price or the number of Warrant Shares purchasable pursuant to the exercise rights represented by a Warrant, such disputes shall be conclusively determined by the Company's auditors or, if they are unable or unwilling to act, by such other firm of independent chartered accountants as may be selected by action by the directors and any such determination, absent manifest error, shall be conclusive evidence of the correctness of any adjustments made.

(h) Record Date. If the Company shall set a record date to determine the holders of its Common Shares for the purpose of entitling them to receive any dividend or distribution or any subscription or purchase rights, options or warrants and shall thereafter and before the distribution to such shareholders of any such dividend, distribution or subscription or purchase rights legally abandon its plan to pay or deliver such dividend, distribution or subscription or purchase rights, then no adjustment in the Exercise Price or the number of Warrant Shares shall be required by reason of the setting of such record date.

(i) Deferral of Adjustment. In any case in which this Warrant Certificate requires that an adjustment become effective immediately after a record date for an event referred to in subsection 2.2 hereof, the Company may defer, until the occurrence of such event:

(i) issuing to the Holder, to the extent that the Warrants are exercised after such record date and before the occurrence of such event, the additional Warrant Shares issuable upon such exercise by reason of the adjustment required by such event; and

(ii) delivering to the Holder any distribution declared with respect to such additional Warrant Shares after such record date and before such event;

provided, however, that the Company delivers to the Holder an appropriate instrument evidencing the right of the Holder, upon the occurrence of the event requiring the adjustment, to an adjustment in the Exercise Price and/or the number of Warrant Shares.

(j) Notice to Holder.

At least seven days prior to the effective date or record date, as the case may be, of any event that requires or that may require an adjustment in any of the exercise rights of the Holder under this Warrant Certificate, including the number of Warrant Shares, the Company shall deliver to the Holder a certificate of the Company specifying the particulars of such event and, if determinable, the required adjustment and the computation of such adjustment. In case any adjustment for which a certificate has been given is not then determinable, the Company shall promptly after such adjustment is determinable deliver to the Holder hereof a certificate of the Company showing how such adjustment was computed. The Company hereby covenants and agrees that the register of transfers and share transfer books for the Common Shares shall be open during normal business hours for inspection by the Holder, and that the Company will not take any action which might deprive the Holder of the opportunity of exercising the rights of subscription contained in this Warrant Certificate, during such seven day period.

Section 4. Transfer of Warrant.

(a) Transferability. Subject to compliance with any applicable securities laws, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

(b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the principal office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated as of the original Issue Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

(c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

Section 5. Miscellaneous.

(a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a shareholder of the Company prior to the exercise hereof.

(b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in

lieu of such Warrant or stock certificate.

(c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

(d) Authorized Shares. The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Shares that number of Common Shares to provide for the issuance of the Warrant Shares as are then issuable upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Principal Market upon which the Common Shares may be listed or traded. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (ii) use reasonable commercial efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

(e) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof.

(f) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

(g) Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2nd) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as follows:

if to the Company, to:

2 Meridian Road
Toronto, Ontario
M9W 4Z7

Facsimile: 416-798-2200

if to the Holder, at its address appearing on the Warrant Register, or at such other address or addresses as may have been furnished to the Company in writing.

(h) Limitation of Liability. No provision hereof, in the absence of any affirmative action by Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of Holder, shall give rise to any liability of Holder for the purchase price of any Common Shares or as a shareholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

(i) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

(j) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding

upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

(k) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Required Holders.

(l) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

(m) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

(n) Tax. Notwithstanding any other provision hereof (other than Section 2(d)(iv)), the Company shall be entitled to deduct, withhold, and recover from any amounts payable pursuant to this Warrant all local, domestic, foreign, or other taxes of any kind which it may be required or permitted to deduct and withhold in accordance with applicable law. All such withheld amounts shall be timely remitted to the relevant governmental authority and all such remitted amounts shall be treated as having been paid to the Holder. The Holder shall provide such tax representations, information, or other documentation to the Company which may reasonably be considered by the Company to be required or advantageous in the context of full or partial exercise of a Warrant.

Section 6. Certain Definitions. For purposes of this Warrant, the following terms shall have the following meanings:

"**Affiliate**" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

"**Bloomberg**" means Bloomberg Financial Markets.

"**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

"**Commission**" means the United States Securities and Exchange Commission.

"**Common Shares**" means (i) Common Shares in the capital of the Company and (ii) any share capital into which such Common Shares shall have been changed or any share capital resulting from a reclassification of such Common Shares.

"**Common Stock Equivalents**" means, collectively, Options and Convertible Securities.

"**Convertible Securities**" means any stock or securities (other than Options) directly or indirectly convertible into or exercisable or exchangeable for shares of Common Shares.

"**Eligible Market**" means the Principal Market, the NYSE Amex Equities, The New York Stock Exchange, Inc., The NASDAQ Global Market, The NASDAQ Global Select Market or The NASDAQ Capital Market.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Fundamental Transaction**" means that (A) the Company shall directly or indirectly, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Person, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company to another Person, or (iii) allow another Person to make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of either the outstanding shares of Common Shares (not including any shares of Common Shares held by the Person or Persons making or party to, or associated or affiliated with the Persons making or party to, such purchase, tender or exchange offer), or (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than the 50% of the outstanding shares of Common Shares (not including any shares of Common Shares held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock purchase agreement or other business combination), or (v) reorganize, recapitalize or reclassify its Common Shares, or (B) any "person" or "group" (as these terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstanding Common Shares.

"**Options**" means any rights, warrants or options to subscribe for or purchase shares of Common Shares or Convertible Securities.

"**Person**" means an individual, a limited liability company, a partnership, a joint venture a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

"**Principal Market**" means the Toronto Stock Exchange, or if the Common Shares is not then listed on the Toronto Stock Exchange, the Eligible Market on which the Common Shares is listed on which the greatest volume of Common Shares is traded during the period referenced below or, if the Common Shares is not so listed on any Eligible Market, then on the over-the-counter market on which the Common Shares is traded as selected by the Board of Directors of the Company in good faith.

"**Registration Statement**" means a registration statement with respect to the issuance of the Warrant and the Warrant Shares, as contemplated in the**Subscription Agreement**.

"**Required Holders**" means the holders of the Warrants representing at least 66-2/3% of shares of Common Shares underlying the Warrants then outstanding.

"**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Successor Entity**" means the Person formed by, resulting from or surviving any Fundamental Transaction or the Person with which such Fundamental Transaction shall have been entered into.

"**Trading Day**" means any day on which the Common Shares is traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Shares, then on the principal securities exchange or securities market on which the Common Shares is then traded; provided that "Trading Day" shall not include any day on which the Common Shares is scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Shares is suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such exchange or market, then during the hour ending at 4:00:00 p.m. New York City time).

"**Transfer Agent**" means Computershare Investor Services Inc., the current transfer agent of the Company, and any successor transfer agent of the Company.

"**VWAP**" means, for any security as of any date, the dollar volume-weighted average price for such security on the Principal Market during the period beginning at 9:30:01 a.m., New York City time, and ending at 4:00:00 p.m., New York City time, as reported by Bloomberg through its "Volume at Price" function or, if the foregoing does not apply, the dollar volume-weighted average price of such security in the over-the-counter market on the electronic bulletin board for such security during the period beginning at 9:30:01 a.m., New York City time, and ending at 4:00:00 p.m., New York City time, as reported by Bloomberg, or, if no dollar volume-weighted average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in the "pink sheets" by Pink Sheets LLC. If the VWAP cannot be calculated for such security on such date on any of the foregoing bases, the VWAP of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. All such determinations shall be appropriately adjusted for any share dividend, share split or other similar transaction during such period.

****

(Signature Pages Follow)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first indicated above.

LORUS THERAPEUTICS INC.

By: _____
Name:
Title:

NOTICE OF EXERCISE

TO: [ ]

(1) The undersigned hereby elects to purchase Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the Exercise Price with respect to such election. Payment shall be in the form of lawful money of the United States

(2) Please issue a certificate or certificates representing said Warrant Shares in the name of the undersigned or in such other name as is specified below:

Name: _____

The Warrant Shares shall be delivered to the following DWAC Account Number:

Account Number:

or by physical delivery of a certificate to:

Address:

DATED this day of , 20 .

_____
(Signature of registered holder)

_____
(Name of registered holder)

ASSIGNMENT FORM

(To assign the foregoing warrant, execute this form and supply required information. Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, [ ] all of or [ ] shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to

whose address is

.

.

Dated: _____

Holders Signature: _____

Holders Address: _____

Signature Guaranteed: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

Exhibit 4.4

, 2010

Global Hunter Securities, LLC
400 Poydras Street, Suite 1510
New Orleans, Louisiana 70130

Ladies & Gentlemen:

1. As an inducement to Global Hunter Securities, LLC ("**GHS**") to execute and act as Placement Agent under a Placement Agency Agreement proposed to be entered into with Lorus Therapeutics Inc. (the "**Company**"), pursuant to which an offering of common shares of the Company or any successor (by merger or otherwise) thereto (the "**Securities**") will be made pursuant to an F-1 registration statement that is to be filed with the United States Securities Exchange Commission (the **Offering**") , the undersigned hereby agrees that during the period specified in paragraph 2 below (the "**Lock-Up Period**"), the undersigned will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Securities or securities convertible into or exchangeable or exercisable for any Securities, whether now owned or hereinafter acquired, owned directly by the undersigned (including holding as a custodian) or with respect to which the undersigned has beneficial ownership within the rules and regulations of the United States Securities and Exchange Commission, and will not enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such Securities, whether any such aforementioned transaction is to be settled by delivery of the Securities or other securities, in cash or otherwise, (and each of the foregoing referred to as a "**Transfer**") or, except as required by applicable law, publicly disclose the intention to make any such Transfer, without, in each case, the prior written consent of GHS, such consent not to be unreasonably withheld.

2. The undersigned agrees that, without the prior written consent of GHS, not to be unreasonably withheld it will not, during the Lock-Up Period, make any demand for or exercise any right with respect to, the registration of any Securities or any security convertible into or exercisable or exchangeable for the Securities.

3. The Lock-Up Period will commence on the date of this Lock-Up Agreement and continue and include the date 90 days after the public offering date set forth on the final prospectus used to sell the Securities (the "**Public Offering Date**") pursuant to the Placement Agency Agreement.

4. Any Securities received upon exercise of options granted to the undersigned will also be subject to this Agreement. Any Securities acquired by the undersigned in the open market after the Public Offering Date will not be subject to this Agreement.

5. Notwithstanding the foregoing paragraphs 1, 2 and 3, the undersigned may
   (a) Transfer any or all of the Securities

   (i) as a bona fide gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth herein, or
   (ii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value,
   (iii) if the undersigned is a corporation, the corporation may transfer the Securities to any wholly owned subsidiary of such corporation, or
   (iv) if the undersigned is an individual, to a corporation controlled by that individual

   provided that in any Transfer contemplated in (i), (ii), (iii) and (iv) above, it shall be a condition to the Transfer that the transferee execute a Lock-Up Agreement stating that the transferee is receiving and holding such Securities subject to the provisions of this Lock-Up Agreement and there shall be no further transfer of such Securities except in accordance with this Lock-Up Agreement. For purposes of this Lock-Up Agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin;
   (b) Transfer any or all of the Securities pursuant to a private transaction that is exempt from the prospectus and registration requirements of applicable securities laws;
   (c) if the undersigned is an individual, upon such individual ceasing to be a director of the Company or upon the death, termination of employment of or loss of office of such individual from the Company (provided that the individual is not, and will not be after such event, employed by a subsidiary of the Company), the undersigned or the executor of the undersigned's estate (upon the death of the undersigned) may Transfer any or all of the Securities;
   (d) Transfer any or all of the Securities pursuant to a bona fide take over bid made to all shareholders of, or for a majority of the Securities of, the Company, or plan of arrangement involving the Company, or other similar acquisition transaction; and
   (e) pledge any or all of the Securities to a bank or other financial institution, for the purpose of giving collateral for a debt incurred in good faith.

6. In furtherance of the foregoing, the Company and its transfer agent and registrar are hereby authorized to decline to make any transfer of shares of Securities if such transfer would constitute a violation or breach of this Agreement

7. This Agreement shall be binding on the undersigned and the successors, heirs, personal representatives and assigns of the undersigned. **This agreement shall be governed by, and construed in accordance with, the laws of the State of New York.**

Very truly yours,

_____

[*Name*]

_____

[*Address*]

Exhibit 4.5

, 2010

Global Hunter Securities, LLC
400 Poydras Street, Suite 1510
New Orleans, Louisiana 70130

And

Lorus Therapeutics Inc.
2 Meridian Road
Toronto, Ontario
M9W 4Z7

Ladies & Gentlemen:

1. As an inducement to Global Hunter Securities, LLC ("**GHS**") to execute and act as Placement Agent under a Placement Agency Agreement proposed to be entered into with Lorus Therapeutics Inc. (the "**Company**"), pursuant to which an offering of common shares of the Company or any successor (by merger or otherwise) thereto (the "**Securities**") will be made pursuant to an F-1 registration statement that is to be filed with the United States Securities Exchange Commission (the **Offering**") , the undersigned hereby agrees that during the period specified in paragraph 2 below (the "**Lock-Up Period**"), the undersigned will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any Securities or securities convertible into or exchangeable or exercisable for any Securities, whether now owned or hereinafter acquired, owned directly by the undersigned (including holding as a custodian) or with respect to which the undersigned has beneficial ownership within the rules and regulations of the United States Securities and Exchange Commission, and will not enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such Securities, whether any such aforementioned transaction is to be settled by delivery of the Securities or other securities, in cash or otherwise, (and each of the foregoing referred to as a "**Transfer**") or, except as required by applicable law, publicly disclose the intention to make any such Transfer, without, in each case, the prior written consent of GHS, such consent not to be unreasonably withheld.

2. The Lock-Up Period will commence on the date that the Company notifies the undersigned in writing that it has closed the Offering and shall terminate on the earlier of:

   (a) 45 days after such closing; and
   (b) August 1, 2010.

3. Any Securities received upon exercise of options granted to the undersigned will also be subject to this Agreement. Any Securities acquired by the undersigned in the open market after the Public Offering Date will not be subject to this Agreement.

4. Notwithstanding the foregoing paragraphs 1, 2 and 3, the undersigned may

---

   (a) Transfer any or all of the Securities

      (i) as a bona fide gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth herein, or
      (ii) to any trust for the direct or indirect benefit of the undersigned or the immediate family of the undersigned, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein, and provided further that any such transfer shall not involve a disposition for value,
      (iii) if the undersigned is a corporation, the corporation may transfer the Securities to any wholly owned subsidiary of such corporation, or
      (iv) in the case of the undersigned, a distribution to the undersigned's investors

      provided that in any Transfer contemplated in (i), (ii), (iii) and (iv) above, it shall be a condition to the Transfer that the transferee execute a Lock-Up Agreement stating that the transferee is receiving and holding such Securities subject to the provisions of this Lock-Up Agreement and there shall be no further transfer of such Securities except in accordance with this Lock-Up Agreement. For purposes of this Lock-Up Agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin;
   (b) Transfer any or all of the Securities pursuant to a private transaction that is exempt from the prospectus and registration requirements of applicable securities laws;
   (c) if the undersigned is an individual, upon such individual ceasing to be a director of the Company or upon the death, termination of employment of or loss of office of such individual from the Company (provided that the individual is not, and will not be after such event, employed by a subsidiary of the Company), the undersigned or the executor of the undersigned's estate (upon the death of the undersigned) may Transfer any or all of the Securities;
   (d) Transfer any or all of the Securities pursuant to a bona fide take over bid made to all shareholders of, or for a majority of the Securities of, the Company, or plan of arrangement involving the Company, or other similar acquisition transaction; and
   (e) pledge any or all of the Securities to a bank or other financial institution, for the purpose of giving collateral for a debt incurred in good faith.

5. In addition, the undersigned agrees that, without the prior written consent of GHS, such consent not to be unreasonably withheld, it will not, during the Lock-Up Period, exercise any of its rights under the registration rights agreement between the undersigned and the Company dated as of August 30, 2006, as amended.

6. In furtherance of the foregoing, the Company and its transfer agent and registrar are hereby authorized to decline to make any transfer of shares of Securities if such transfer would constitute a violation or breach of this Agreement

7. This Agreement shall be binding on the undersigned and the successors, heirs, personal representatives and assigns of the undersigned. **This agreement shall be governed by, and construed in accordance with, the laws of the State of New York.**

Very truly yours,

_____

[*Name*]

[*Address*]

EXHIBIT 23.1

KPMG LLP
Chartered Accountants
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
CANADA

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Lorus Therapeutics Inc.

We consent to the use of our audit report dated August 26, 2009, except as to note 18 which is as of November 30, 2009 on the consolidated balance sheets of Lorus Therapeutics Inc. (the "Company") as at May 31, 2009 and 2008, and the consolidated statements of operations and comprehensive income, deficit and cash flows for each of the years in the three-year period ended May 31, 2009 and for the period from inception on September 5, 1986 to May 31, 2009, and our report dated November 30, 2009, on the Supplementary Information: Reconciliation of Canadian and United States Generally Accepted Accounting Principles, incorporated by reference and to the reference to our firm under the heading "Experts" in the Amendment No. 1 to the Registration Statement on Form F-1.

Our audit report dated August 26, 2009, except as to note 18 which is as of November 30, 2009 contains explanatory paragraphs that state significant doubt exists with regards to the ability of the Company to continue as a going concern, and effective June 1, 2008, the Company adopted the Accounting Standard Board's replacement of Section 1506, Accounting Changes, the Canadian Institute of Chartered Accountants' Handbook Section 1535, Capital Disclosures, Section 3862, Financial Instruments — Disclosures and Section 3863, Financial Instruments — Presentation.

/s/ KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
June 2, 2010