
FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Issuer

**Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934**

For the Month of August, 2007

Commission File Number 1-32001

Lorus Therapeutics Inc.

(Translation of registrant's name into English)

2 Meridian Road, Toronto, Ontario M9W 4Z7

(Address of principal executive offices)

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

Form 20-F

Form 40-F

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

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

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

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82-_____.

SIGNATURES

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

Lorus Therapeutics Inc.

Date: August 30, 2007

By: /s/ "Elizabeth Williams"

Elizabeth Williams
Director of Finance

EXHIBIT INDEX

- 99.1 Antisense Patent Assets Transfer Agreement dated July 10, 2007
- 99.2 Genesense Share Purchase Agreement dated July 10, 2007
- 99.3 NuChem Share Purchase Agreement dated July 10, 2007
- 99.4 Prepaid Expenses and Receivables Transfer Agreement dated July 10, 2007
- 99.5 Tangible Business Assets Transfer Agreement dated July 10, 2007
- 99.6 Virulizin and Small Molecule Patent Assets Transfer Agreement dated July 10, 2007
- 99.7 Escrow Agreement
- 99.8 Amended and Restated General Security Agreement
- 99.9 Amended and Restated Guarantee and Indemnity
- 99.10 Indemnification Agreement

ASSET PURCHASE AGREEMENT

BETWEEN

LORUS THERAPEUTICS INC.

AND

GENESENSE TECHNOLOGIES INC.

MADE AS OF

July 10, 2007

McCarthy Tétrault LLP

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ASSET PURCHASE AGREEMENT

THIS AGREEMENT is made as of July 10, 2007

BETWEEN

LORUS THERAPEUTICS INC., a corporation incorporated under the laws of Canada (the “**Purchaser**”),

- and -

GENESENSE TECHNOLOGIES INC., a corporation incorporated under the laws of Canada (the “**Vendor**”).

WHEREAS the Vendor is a life sciences company focused on research and development of effective anticancer development stage therapies with high safety;

AND WHEREAS the Vendor desires to sell and the Purchaser desires to purchase certain of the assets of the Vendor pertaining to that business upon and subject to the terms and conditions set out in this Agreement;

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the parties agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 **Definitions**

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

“**Agreement**” means this asset purchase agreement, including its recitals and schedules, as amended from time to time.

“**Applicable Law**” means

- (i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty, and
- (ii) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority having the force of law.

“**Business Day**” means a day other than a Saturday, Sunday or statutory holiday in the Province of Ontario.

“**Charges**” means all liens, charges, encumbrances and/or rights of others.

“**Claims**” means all losses, damages, expenses, liabilities (whether accrued, actual, contingent, latent or otherwise), claims and demands of whatever nature or kind including all legal fees and costs on a solicitor and client basis.

“**Closing Date**” means July 10, 2007 or such other date as may be agreed to in writing between the Vendor and the Purchaser.

“**Governmental Authority**” means any domestic or foreign legislative, executive, judicial or administrative body or person having or purporting to have jurisdiction in the relevant circumstances.

“**New Lorus Note 1**” has the meaning set forth in Section 2.03.

“**Permits**” means all permits, consents, waivers, licences, certificates, approvals, authorizations, registrations, franchises, rights, privileges and exemptions, or any item with a similar effect, issued or granted by any person.

“**Purchase Price**” has the meaning set out in Section 2.02.

“**Purchased Assets**” means the patent assets described in Schedule A.

“**Tax Act**” means the *Income Tax Act* (Canada).

“**Time of Closing**” means 12:01 a.m. (Toronto Time) on the Closing Date.

“**Transfer Taxes**” has the meaning set out in Section 4.02(1).

1.02 **Headings**

The division of this Agreement into Articles and Sections and the insertion of a table of contents and headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles and Sections of and Schedules to this Agreement.

1.03 **Extended Meanings**

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities. The term “including” means “including without limiting the generality of the foregoing”.

1.04 **Statutory References**

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.

1.05 **Accounting Principles**

Wherever in this Agreement reference is made to a calculation to be made or an action to be taken in accordance with generally accepted accounting principles, such reference will be deemed to be to the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as at the date on which such calculation or action is made or taken or required to be made or taken.

1.06 **Currency**

All references to currency herein are to lawful money of Canada.

1.07 **Schedules**

The following are Schedules to this Agreement:

Schedule A	-	Purchased Assets; and
Schedule 2.03	-	New Lorus Note 1.

ARTICLE 2 - SALE AND PURCHASE

2.01 **Assets to be Sold and Purchased**

Upon and subject to the terms and conditions hereof, the Vendor will sell, assign, transfer and convey to the Purchaser and the Purchaser will purchase from the Vendor, at the Time of Closing, all of the right, title, benefit and interest of the Vendor in and to the Purchased Assets.

2.02 **Purchase Price**

The purchase price payable to the Vendor for the Purchased Assets (such amount being hereinafter referred to as the "Purchase Price") will be [XXX], which amount the parties estimate to be the fair market value of the Purchased Assets.

2.03 **Payment of Purchase Price**

The obligation of the Purchaser to pay the Purchase Price to the Vendor will be satisfied in full and evidenced by the issuance and delivery by the Purchaser to the Vendor of one non-interest bearing demand promissory note in an aggregate principal amount equal to the

Purchase Price (“**New Lorus Note 1**”) substantially in the form of the note attached hereto as Schedule 2.03 to be executed by the Purchaser at the Time of Closing.

2.04 **Non-Assignable Contracts and Commitments**

- (1) The Vendor will use commercially reasonable efforts (other than the payment of money or assumption of obligations) to obtain any third party consents or waivers necessary to permit the assignment to, and assumption by, the Purchaser of all of the contracts and other commitments to be assigned to and assumed by the Purchaser pursuant to this Agreement.
- (2) Nothing in this Agreement will constitute an agreement to assign or an attempted assignment of any contract or other commitment for which any requisite consent or waiver to the assignment thereof has not been obtained. To the extent permitted by Applicable Law, if any requisite consent or waiver to the assignment thereof has not been obtained on or prior to the Time of Closing, the applicable contract or other commitment will be held by the Vendor in trust for the benefit of the Purchaser and the Purchaser will perform the obligations of the Vendor thereunder and be entitled to receive all money becoming due and payable under and other benefits derived from the contract or other commitment immediately after receipt by the Vendor.

ARTICLE 3 - REPRESENTATIONS AND WARRANTIES

3.01 **Vendor’s Representations and Warranties**

The Vendor hereby makes to the Purchaser the following representations and warranties and acknowledges that the Purchaser is relying upon such representations and warranties in connection with entering into this Agreement.

- (a) The Vendor is a corporation duly incorporated, organized and subsisting under the laws of Canada with the corporate power to own its assets and to carry on its business.
- (b) The Vendor has the power, authority and right to enter into and deliver this Agreement and to complete the transactions contemplated to be completed by the Vendor hereunder.
- (c) This Agreement constitutes a valid and legally binding obligation of the Vendor, enforceable against the Vendor in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors’ rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.
- (d) Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Vendor will result in the violation of:

- (i) any of the provisions of the constating documents or by-laws of the Vendor;
 - (ii) any agreement or other instrument to which the Vendor is a party or by which the Vendor is bound; or
 - (iii) any Applicable Law.
- (e) The Purchased Assets are in good standing and have been duly registered or applications to register the same have been filed in all appropriate offices to preserve the rights therein and of the Vendor thereto.
 - (f) The Vendor is registered under Part IX of the *Excise Tax Act* (Canada) with registration number 88289 4165 RT0001.
 - (g) The Vendor is not a non-resident person within the meaning of section 116 of the Tax Act.
 - (h) The Vendor has duly elected in prescribed form and jointly with the Purchaser to have the rules contained in subsection 156(2) of Part IX of the *Excise Tax Act* (Canada) apply to the purchase and sale of the Purchased Assets contemplated hereunder, which election remains valid and in effect.

3.02 **Purchaser's Representations and Warranties**

The Purchaser hereby makes to the Vendor the following representations and warranties and acknowledges that the Vendor is relying upon such representations and warranties in connection with entering into this Agreement:

- (a) The Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Canada with the corporate power to own its assets and to carry on its business.
- (b) The Purchaser has the power, authority and right to enter into and deliver this Agreement and to complete the transactions contemplated to be completed by the Purchaser hereunder.
- (c) This Agreement constitutes a valid and legally binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.
- (d) Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Purchaser will result in a violation of:

- (i) any of the provisions of the constating documents or by-laws of the Purchaser;
 - (ii) any agreement or other instrument to which the Purchaser is a party or by which the Purchaser is bound; or
 - (iii) any Applicable Law.
- (e) The Purchaser is registered under Part IX of the *Excise Tax Act* (Canada) with registration number 83796 5961 RT0001.
- (f) The Purchaser has duly elected in prescribed form and jointly with the Vendor to have the rules contained in subsection 156(2) of Part IX of the *Excise Tax Act* (Canada) apply to the purchase and sale of the Purchased Assets contemplated hereunder, which election remains valid and in effect.

3.03

Survival of Representations, Warranties and Covenants

- (1) The respective representations and warranties of the Vendor and the Purchaser contained in this Agreement shall survive the completion of the sale and purchase of the Purchased Assets herein provided for and, notwithstanding such completion, will continue in full force and effect for a period of two years from the Closing Date.
- (2) The respective covenants of the Vendor and the Purchaser contained in this Agreement shall survive the completion of the sale and purchase of the Purchased Assets herein provided for and, notwithstanding such completion, will continue in full force and effect for the benefit of the Vendor or the Purchaser, as applicable, in accordance with the terms thereof.

ARTICLE 4 - COVENANTS

4.01

Covenants of the Vendor

- (1) The Vendor, immediately after the Closing Date at the Purchaser's expense and written direction, will file all necessary notices with all relevant Governmental Authorities evidencing the sale of the Purchased Assets to the Purchaser.

4.02

Covenants of the Purchaser

- (1) The Purchaser will be liable for and will pay, or will cause to be paid, all transfer, value added, *ad-valorem*, excise, sales, use, consumption, goods or services, harmonized sales, retail sales, social services, or other similar taxes or duties (collectively, "**Transfer Taxes**") payable under any Applicable Law on or with respect to the sale and purchase of the Purchased Assets under this Agreement. The Purchaser will prepare and file any affidavits or returns required in connection with the foregoing at its own cost and expense. To the extent that any Transfer Taxes are required to be paid by or are imposed

upon the Vendor, the Purchaser will reimburse, or will cause to be reimbursed, to the Vendor such taxes within five Business Days of payment of such taxes by the Vendor. All amounts payable by the Purchaser to the Vendor hereunder do not include Transfer Taxes.

4.03 **Cooperation**

Each of the Purchaser and the Vendor shall use commercially reasonable efforts, at the expense of the Purchaser, to provide such information and assistance as is reasonably necessary to assist the Purchaser in obtaining all necessary consents, approvals, conveyances, assurances, assignments or any other documentation necessary or reasonably required by the Purchaser to transfer all of the Vendor's right, title and interest in and to the Purchased Assets to the Purchaser, subject to all existing Charges.

4.04 **Cooperation on Tax Matters**

Each of the Vendor and the Purchaser will, to the extent reasonably within such party's control, taking into account such party's access to books and records, furnish or cause to be furnished to each other, at the expense of the Purchaser, as promptly as practicable, such information and assistance, and provide additional information and explanations of any materials provided, relating to the Purchased Assets as is reasonably necessary for the filing of any tax returns, for the preparation of any audit, and for the prosecution or defence of any Claim, suit or proceeding relating to any adjustment or proposed adjustment with respect to taxes.

ARTICLE 5 - CONDITIONS

5.01 **Conditions for the Benefit of the Purchaser**

- (1) The sale by the Vendor and the purchase by the Purchaser of the Purchased Assets is subject to the following conditions, which are for the exclusive benefit of the Purchaser and which are to be performed or complied with at or prior to the Time of Closing:
- (a) the representations and warranties of the Vendor set forth in Section 3.01 will be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;
 - (b) the Vendor will have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Vendor at or prior to the Time of Closing;
 - (c) the Purchaser will be furnished with such certificates or other instruments (including instruments of conveyance with respect to the Purchased Assets) of the Vendor or of officers of the Vendor as the Purchaser or the Purchaser's counsel may reasonably think necessary in order to establish that the terms, covenants and conditions contained in this Agreement to have been performed or complied with by the Vendor at or prior to the Time of Closing have been performed or

complied with and that the representations and warranties of the Vendor herein given are true and correct at the Time of Closing;

- (d) there will have been obtained from all appropriate Governmental Authorities such approvals or consents as are required to permit the change of ownership of the Purchased Assets contemplated hereby;
 - (e) no action or proceeding in Canada will be pending or threatened by any person, or Governmental Authority to enjoin, restrict or prohibit the sale and purchase of the Purchased Assets contemplated hereby; and
 - (f) all necessary steps and proceedings will have been taken to permit the Purchased Assets to be duly and regularly transferred to and registered in the name of the Purchaser.
- (2) In case any term or covenant of the Vendor or condition to be performed or complied with for the benefit of the Purchaser at or prior to the Time of Closing has not been performed or complied with at or prior to the Time of Closing, the Purchaser, without limiting any other right that the Purchaser has, may at its sole option either:
- (a) rescind this Agreement by notice to the Vendor, and in such event the Purchaser will be released from all obligations hereunder; or
 - (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part;

and, if the Purchaser rescinds this Agreement pursuant to Section 5.01(2)(a), the Vendor will also be released from all obligations hereunder unless the term, covenant or condition for which the Purchaser has rescinded this Agreement was one that the Vendor had covenanted to ensure had been performed or complied with, in which event the Vendor will be liable to the Purchaser for any Claims incurred by the Purchaser directly or indirectly as a result of such breach.

5.02 **Conditions for the Benefit of the Vendor**

- (1) The sale by the Vendor and the purchase by the Purchaser of the Purchased Assets is subject to the following conditions, which are for the exclusive benefit of the Vendor and which are to be performed or complied with at or prior to the Time of Closing:
- (a) the representations and warranties of the Purchaser set forth in Section 3.02 will be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;

- (b) the Purchaser will have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Purchaser at or prior to the Time of Closing;
 - (c) the Vendor will be furnished with such certificates or other instruments of the Purchaser or of officers of the Purchaser as the Vendor or the Vendor's counsel may reasonably think necessary in order to establish that the terms, covenants and conditions contained in this Agreement to have been performed or complied with by the Purchaser at or prior to the Time of Closing have been performed or complied with and that the representations and warranties of the Purchaser herein given are true and correct at the Time of Closing; and
 - (d) the Purchaser will have delivered to the Vendor the New Lorus Note 1.
- (2) In case any term or covenant of the Purchaser or condition to be performed or complied with for the benefit of the Vendor at or prior to the Time of Closing has not been performed or complied with at or prior to the Time of Closing, the Vendor, without limiting any other right that the Vendor has, may at its sole option either:
- (a) rescind this Agreement by notice to the Purchaser, and in such event the Vendor will be released from all obligations hereunder; or
 - (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part;

and, if the Vendor rescinds this Agreement pursuant to Section 5.02(2)(a), the Purchaser will also be released from all obligations hereunder unless the term, covenant or condition for which the Vendor has rescinded this Agreement was one that the Purchaser had covenanted to ensure had been performed or complied with, in which event the Purchaser will be liable to the Vendor for any Claims incurred by the Vendor directly or indirectly as a result of such breach.

ARTICLE 6 - CLOSING ARRANGEMENTS

6.01 **Closing**

The sale and purchase of the Purchased Assets will be completed at the Time of Closing at the offices of McCarthy Tétrault LLP, Suite 4700, Toronto Dominion Bank Tower, Toronto -Dominion Bank Centre, Toronto, Ontario M5K 1E6.

6.02 **Examination of Records and Assets**

The Purchaser will preserve any documents provided to it by the Vendor prior to the Closing Date for a period of five years from the Closing Date, or for such other period as is required by any Applicable Law, and will permit the Vendor and its authorized representatives

reasonable access thereto in connection with the affairs of the Vendor, but the Purchaser will not be responsible or liable to the Vendor for or as a result of any loss or destruction of or damage to any such documents.

ARTICLE 7 - GENERAL

7.01 **Further Assurances**

Each of the Vendor and the Purchaser will from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

7.02 **Time of the Essence**

Time is of the essence of this Agreement.

7.03 **Benefit of the Agreement**

This Agreement will enure to the benefit of and be binding upon the respective heirs, executors, administrators, other legal representatives, successors and permitted assigns of the parties hereto.

7.04 **Entire Agreement**

Except for the various collateral agreements entered into in connection with the Arrangement, this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

7.05 **Amendments and Waivers**

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by both of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

7.06 **Notices**

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery, by registered mail, by facsimile or by electronic means of communication addressed to the recipient as follows:

To the Vendor:

2 Meridian Road
Toronto, Ontario M9W 4Z7

Fax No.: 416-798-2200
Email: ewilliams@lorusthera.com

Attention: Director of Finance

To the Purchaser:

2 Meridian Road
Toronto, Ontario M9W 4Z7

Fax No.: 416-798-2200
Email: ewilliams@lorusthera.com

Attention: Director of Finance

or to such other street address, individual or electronic communication number or address as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the fourth Business Day following the deposit thereof in the mail and, if given by facsimile or electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system that might affect the delivery of mail, any such demand, notice or other communication may not be mailed but must be given by personal delivery, by facsimile or by electronic communication.

7.07 **Governing Law**

This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

7.08 **Counterparts**

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

Facsimiles

Delivery of an executed signature page to this Agreement by any party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such party.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF the parties have executed this Agreement.

GENESENSE TECHNOLOGIES INC.

Per: “Aiping Young”

Per: _____

LORUS THERAPEUTICS INC.

Per: “Aiping Young”

Per: “Graham Strachan”

SCHEDULE A

Purchased Assets

All of the Vendor's right, title and interest in and to the following assets:

- the AntiSense patent assets listed in Exhibit A attached hereto; and
 - the exclusive license agreement dated June 20, 1997 among The University of Manitoba, The Manitoba Cancer Treatment and Research Foundation, Dr. Jim A. Wright, Dr. Aiping Young and GeneSense Technologies Inc.
-

Exhibit A

AntiSense Patent Assets

[XXX]

SCHEDULE 2.03

Form of New Lorus Note 1

PROMISSORY NOTE

FOR VALUE RECEIVED, the undersigned hereby promises to pay the sum of [XXX] in lawful money of Canada, without interest, to or to the order of GeneSense Technologies Inc. on demand.

All payments hereunder will be made without days of grace, presentment, protest, notice of dishonour or any other notice whatsoever, all of which are hereby expressly waived by the maker and each endorser hereof.

The principal amount hereof may at any time be repaid in full without notice or bonus.

This Promissory Note will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

DATED as of ●, 2007.

LORUS THERAPEUTICS INC.

Per: _____

Name:

Title:

SHARE PURCHASE AGREEMENT

BETWEEN

4325231 CANADA INC.

AND

LORUS THERAPEUTICS INC.

MADE AS OF

July 10, 2007

McCarthy Tétrault LLP

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SHARE PURCHASE AGREEMENT

THIS AGREEMENT made as of July 10, 2007;

B E T W E E N:

LORUS THERAPEUTICS INC., a corporation incorporated under the laws of Canada (the “**Purchaser**”),

- and -

4325231 CANADA INC., a corporation incorporated under the laws of Canada (the “**Vendor**”).

WHEREAS the Vendor is the beneficial owner of the Shares;

AND WHEREAS TEMIC is the registered owner of the Shares and has consented to the sale of the Shares as contemplated herein;

AND WHEREAS the Vendor desires to sell and the Purchaser desires to purchase the Shares upon and subject to the terms and conditions hereinafter set forth;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the covenants and agreements herein contained the parties hereto agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 **Definitions**

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

“**Agreement**” means this share purchase agreement, including its recitals and schedules, as amended from time to time and all amendments made hereto by written agreement between the Vendor and the Purchaser.

“**Applicable Law**” means

- (i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty, and
- (ii) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority having the force of law.

“**Assumed Liabilities**” means the liabilities described in Schedule B attached to this Agreement;

“**Business Day**” means a day other than a Saturday, Sunday or statutory holiday in the Province of Ontario.

“**Charges**” means all liens, charges, encumbrances and/or rights of others.

“**Closing Date**” means July 10, 2007 or such other date as may be agreed to in writing between the Vendor and the Purchaser.

“**Closing Statement**” has the meaning set forth in Section 2.05(1).

“**Corporation**” means GeneSense Technologies Inc., a corporation incorporated under the laws of Canada.

“**Governmental Authority**” means any domestic or foreign legislative, executive, judicial or administrative body or person having or purporting to have jurisdiction in the relevant circumstances.

“**Newco Note 2**” has the meaning set forth in Section 2.03(1)(b).

“**Permitted Encumbrances**” means the Charges described in Schedule C attached to this Agreement.

“**Prepaid Expenses and Receivables Transfer Agreement**” means the prepaid expenses and receivables transfer agreement dated as of July 10, 2007 between the Vendor and GeneSense Technologies Inc.

“**Purchase Price**” has the meaning set forth in Section 2.02.

“**Share Pledge Agreement**” has the meaning set forth in Section 3.01(c).

“**Shares**” means all of the issued and outstanding common shares of the Corporation.

“**Tangible Business Assets Transfer Agreement**” means the tangible business assets transfer agreement dated as of July 10, 2007 between the Vendor and GeneSense Technologies Inc.

“**Tax Act**” means the *Income Tax Act* (Canada).

“**TEMIC**” means The Erin Mills Investment Corporation.

“**Time of Closing**” means 12:01 a.m. (Toronto Time) on the Closing Date.

1.02 **Headings**

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion

hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.03 **Extended Meanings**

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities. The term "including" means "including without limiting the generality of the foregoing".

1.04 **Statutory References**

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.

1.05 **Accounting Principles**

Wherever in this Agreement reference is made to a calculation to be made or an action to be taken in accordance with generally accepted accounting principles, such reference will be deemed to be to the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as at the date on which such calculation or action is made or taken or required to be made or taken.

1.06 **Currency**

All references to currency herein are to lawful money of Canada.

1.07 **Schedules**

The following are Schedules to this Agreement:

Schedule A - Newco Note 2; and
Schedule B - Assumed Liabilities.

ARTICLE 2 - PURCHASE AND SALE

2.01 **Shares to be Sold and Purchased**

Upon and subject to the terms and conditions hereof, the Vendor will sell the Shares to the Purchaser and the Purchaser will purchase the Shares from the Vendor, as of the Time of Closing on the Closing Date.

2.02 **Purchase Price**

The purchase price payable to the Vendor for the Shares (such amount being hereinafter referred to as the “**Purchase Price**”) will be [XXX], subject to adjustment in accordance with Section 2.05, which amount the parties estimate to be the fair market value of the Shares.

2.03 **Satisfaction of Purchase Price**

- (1) The Purchase Price will be satisfied in full as follows:
 - (a) by the assumption, fulfillment and performance by the Purchaser, from and after the Time of Closing, of the Assumed Liabilities; and
 - (b) by the issuance by the Purchaser to the Vendor of a demand non-interest bearing promissory note in the aggregate principal amount of [XXX] (the “**New Lorus Note 2**”), substantially in the form of the promissory note attached hereto as Schedule A.

2.04 **Closing**

The sale and purchase of the Shares shall be completed at the Time of Closing at the offices of McCarthy Tétrault LLP, Suite 4800, Toronto Dominion Bank Tower, Toronto-Dominion Centre, Toronto, Ontario.

2.05 **Closing Adjustment**

(1) On or before the date that is 90 days after the Closing Date, the Purchaser will prepare and deliver to the Vendor a statement of adjustments detailing any changes in the valuation of the underlying assets arising as a result of the permitted price adjustments in the Tangible Business Assets Transfer Agreement and the Prepaid Expenses and Receivables Transfer Agreement or the Assumed Liabilities transferred hereunder which in part form the basis of the valuation of the Shares and detailing the particulars of any required adjustments to the calculation of the Purchase Price (the “**Closing Statement**”). If requested by the Vendor, the Purchaser will permit the Vendor and its auditors and other representatives to review the working papers and other documentation used or prepared in connection with the preparation of, or that otherwise form the basis of, the Closing Statement.

(2) If the Closing Statement, as determined by the Purchaser, exceeds, or is less than, the Purchase Price, the aggregate principal amount of the Newco Note 2 will be increased, or decreased, accordingly.

ARTICLE 3 - REPRESENTATIONS AND WARRANTIES

3.01 **Vendor's Representations and Warranties**

The Vendor hereby makes to the Purchaser the following representations and warranties and acknowledges that the Purchaser is relying upon such representations and warranties in connection with entering into this Agreement:

- (a) The Corporation is a corporation duly incorporated, organized and subsisting under the laws of Canada with the corporate power to own its assets and to carry on its business.
- (b) The authorized capital of the Corporation consists of (i) an unlimited number of common shares, and (ii) an unlimited number of preferred shares.
- (c) All of the issued and outstanding Shares are beneficially owned by the Vendor and pledged to TEMIC pursuant to a share pledge agreement dated October 6, 2004 (the "**Share Pledge Agreement**").
- (d) The Vendor has the power, authority and right to enter into and deliver this Agreement and to transfer the legal and beneficial title and ownership of the Shares to the Purchaser, subject to all existing Charges, including the Share Pledge Agreement.
- (e) This Agreement constitutes a valid and legally binding obligation of the Vendor, enforceable against the Vendor in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.
- (f) Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Vendor will result in the violation of:
 - (i) any of the provisions of the constating documents or by-laws of the Vendor or of the Corporation;
 - (ii) any agreement or other instrument to which the Vendor or the Corporation is a party or by which the Vendor or the Corporation is bound; or
 - (iii) any Applicable Law in respect of which the Vendor or the Corporation must comply, except to the extent that such violation would not reasonably be expected to limit in any material manner the operations of the Corporation's business as they are presently conducted.
- (g) The Vendor is not a non-resident person within the meaning of section 116 of the Tax Act.

Purchaser's Representations and Warranties

The Purchaser hereby makes to the Vendor the following representations and warranties and acknowledges that the Vendor is relying upon such representations and warranties in connection with entering into this Agreement:

- (a) The Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Canada with the corporate power to own its assets and to carry on its business.
- (b) The Purchaser has the power, authority and right to enter into and deliver this Agreement and to complete the transactions contemplated to be completed by the Purchaser hereunder.
- (c) This Agreement constitutes a valid and legally binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.
- (d) Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Purchaser will result in a violation of:
 - (i) any of the provisions of the constating documents or by-laws of the Purchaser;
 - (ii) any agreement or other instrument to which the Purchaser is a party or by which the Purchaser is bound; or
 - (iii) any Applicable Law.

Survival of Representations, Warranties and Covenants

- (1) The respective representations and warranties of the Vendor and the Purchaser contained in this Agreement shall survive the completion of the sale and purchase of the Shares herein provided for and, notwithstanding such completion, will continue in full force and effect for a period of two years from the Closing Date.
- (2) The respective covenants of the Vendor and the Purchaser contained in this Agreement shall survive the completion of the sale and purchase of the Shares herein provided for and, notwithstanding such completion, shall continue in full force and effect for the benefit of the Vendor or the Purchaser, as applicable, in accordance with the terms thereof.

ARTICLE 4 - COVENANTS

4.01 Cooperation

Each of the Purchaser and the Vendor shall use commercially reasonable efforts, at the expense of the Purchaser, to provide such information and assistance as is reasonably necessary to assist the Purchaser in obtaining all necessary consents, approvals, conveyances, assurances, assignments or any other documentation necessary or reasonably required by the Purchaser to transfer all of the Vendor's right, title and interest in and to the Purchased Assets to the Purchaser, subject to all existing Charges.

4.02 Cooperation on Tax Matters

Each of the Vendor and the Purchaser will, to the extent reasonably within such party's control, taking into account such party's access to books and records, furnish or cause to be furnished to each other, at the expense of the Purchaser, as promptly as practicable, such information and assistance, and provide additional information and explanations of any materials provided, relating to the Purchased Assets as is reasonably necessary for the filing of any tax returns, for the preparation of any audit, and for the prosecution or defence of any Claim, suit or proceeding relating to any adjustment or proposed adjustment with respect to taxes.

ARTICLE 5 - CONDITIONS

5.01 Conditions for the Benefit of the Purchaser

- (1) The sale by the Vendor and the purchase by the Purchaser of the Shares is subject to the following conditions which are for the exclusive benefit of the Purchaser to be performed or complied with at or prior to the Time of Closing:
 - (a) the representations and warranties of the Vendor set forth in Section 3.01 will be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;
 - (b) the Vendor shall have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Vendor at or prior to the Time of Closing;
 - (c) the Purchaser shall be furnished with such certificates, affidavits or statutory declarations of the Corporation and of the Vendor or of officers of the Corporation and of the Vendor as the Purchaser or the Purchaser's counsel may reasonably think necessary in order to establish that the terms, covenants and conditions contained in this Agreement to have been performed or complied with by the Vendor or by the Corporation, as the case may be, at or prior to the Time of Closing have been performed and complied with and that the representations and warranties of the Vendor herein given are true and correct at the Time of Closing;

- (d) there will have been obtained from all appropriate Governmental Authorities such approvals or consents as are required to permit the change of ownership of the Shares contemplated hereby and to permit the business of the Corporation to be carried on as now conducted;
 - (e) no action or proceeding in Canada will be pending or threatened by any person to enjoin, restrict or prohibit
 - (i) the sale and purchase of the Shares contemplated hereby; or
 - (ii) the right of the Corporation to conduct the business of the Corporation; and
 - (f) all necessary steps and proceedings will have been taken to permit the Shares to be duly and regularly transferred to the Purchaser.
- (2) In case any term or covenant of the Vendor or condition to be performed or complied with for the benefit of the Purchaser at or prior to the Time of Closing shall not have been performed or complied with at or prior to the Time of Closing, the Purchaser may, without limiting any other right that the Purchaser may have, at its sole option, either:
- (a) rescind this Agreement by notice to the Vendor, and in such event the Purchaser shall be released from all obligations hereunder; or
 - (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part.

5.02 **Conditions for the Benefit of the Vendor**

- (1) The sale by the Vendor and the purchase by the Purchaser of the Shares is subject to the following conditions which are for the exclusive benefit of the Vendor to be performed or complied with at or prior to the Time of Closing:
- (a) the representations and warranties of the Purchaser set forth in Section 3.02 shall be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;
 - (b) the Purchaser shall have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Purchaser at or prior to the Time of Closing;
 - (c) the Vendor shall be furnished with such certificates, affidavits or statutory declarations of the Purchaser or of officers of the Purchaser as the Vendor or the Vendor's counsel may reasonably think necessary in order to establish that the

terms, covenants and conditions contained in this Agreement to have been performed or complied with by the Purchaser at or prior to the Time of Closing have been performed and complied with and that the representations and warranties of the Purchaser herein given are true and correct at the Time of Closing; and

- (d) the Purchaser will have delivered to the Vendor an original executed copy of Newco Note 2.
- (2) In case any term or covenant of the Purchaser or condition to be performed or complied with for the benefit of the Vendor at or prior to the Time of Closing shall not have been performed or complied with at or prior to the Time of Closing, the Vendor may, without limiting any other right that the Vendor may have, at its sole option, either:
- (a) rescind this Agreement by notice to the Purchaser, and in such event the Vendor shall be released from all obligations hereunder; or
 - (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part.

ARTICLE 6 - GENERAL

6.01 **Further Assurances**

Each of the Vendor and the Purchaser shall from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

6.02 **Time of the Essence**

Time shall be of the essence of this Agreement.

6.03 **Benefit of the Agreement**

This Agreement shall enure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

6.04 **Entire Agreement**

Except for the various collateral agreements entered into in connection with the Arrangement, this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto. There are no representations,

warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

6.05 **Amendments and Waiver**

No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by both of the parties hereto and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived.

6.06 **Notices**

Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and shall be given by personal delivery, by registered mail or by electronic means of communication addressed to the recipient as follows:

To the Vendor:

2 Meridian Road
Toronto, Ontario M9W 4Z7

Fax No.: 416-798-2200
Email: ewilliams@lorusthera.com

Attention: Director of Finance

To the Purchaser:

2 Meridian Road
Toronto, Ontario M9W 4Z7

Fax No.: 416-798-2200
Email: ewilliams@lorusthera.com

Attention: Director of Finance

or to such other address, individual or electronic communication number as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the fourth Business Day following the deposit thereof in the mail and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system which might affect the delivery of mail, any such demand,

notice or other communication shall not be mailed but shall be given by personal delivery or by electronic communication.

6.07 **Governing Law**

This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

6.08 **Counterparts**

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

6.09 **Facsimiles**

Delivery of an executed signature page to this Agreement by any party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such party.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF the parties have executed this Agreement.

4325231 CANADA INC.

Per: “Aiping Young”

Per: “Graham Strachan”

LORUS THERAPEUTICS INC.

Per: “Aiping Young”

Per: “Graham Strachan”

Schedule A

Newco Note 2

PROMISSORY NOTE

FOR VALUE RECEIVED, the undersigned hereby promises to pay the sum of [XXX] in lawful money of Canada, without interest, to or to the order of 4325231 Canada Inc. on demand.

All payments hereunder will be made without days of grace, presentment, protest, notice of dishonour or any other notice whatsoever, all of which are hereby expressly waived by the maker and each endorser hereof.

The principal amount hereof may at any time be repaid in full without notice or bonus.

This Promissory Note will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

DATED as of •, 2007.

LORUS THERAPEUTICS INC.

Per: _____

Name:

Title:

Schedule B

Assumed Liabilities

- Liabilities in the aggregate amount of [XXX] relating to accounts payable, accrued liabilities and transaction costs in connection with the arrangement of the Vendor's business by way of plan of arrangement under Section 192(3) of the *Canada Business Corporations Act*.

SHARE PURCHASE AGREEMENT

BETWEEN

4325231 CANADA INC.

AND

LORUS THERAPEUTICS INC.

MADE AS OF

July 10, 2007

McCarthy Tétrault LLP

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SHARE PURCHASE AGREEMENT

THIS AGREEMENT made as of July 10, 2007;

B E T W E E N:

LORUS THERAPEUTICS INC., a corporation incorporated under the laws of Canada (the “**Purchaser**”),

- and -

4325231 CANADA INC., a corporation incorporated under the laws of Canada (the “**Vendor**”).

WHEREAS the Vendor is the beneficial owner of the Shares;

AND WHEREAS TEMIC is the registered owner of the Shares and has consented to the sale of the Shares as contemplated herein;

AND WHEREAS the Vendor desires to sell and the Purchaser desires to purchase the Shares upon and subject to the terms and conditions hereinafter set forth;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the covenants and agreements herein contained the parties hereto agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 **Definitions**

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

“**Agreement**” means this share purchase agreement, including its recitals and schedules, as amended from time to time and all amendments made hereto by written agreement between the Vendor and the Purchaser.

“**Applicable Law**” means

- (i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty, and
- (ii) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority having the force of law.

“**Business Day**” means a day other than a Saturday, Sunday or statutory holiday in the Province of Ontario.

“**Charges**” means all liens, charges, encumbrances and/or rights of others.

“**Closing Date**” means July 10, 2007 or such other date as may be agreed to in writing between the Vendor and the Purchaser.

“**Corporation**” means NuChem Pharmaceuticals Inc., a corporation existing under the laws of Ontario.

“**Governmental Authority**” means any domestic or foreign legislative, executive, judicial or administrative body or person having or purporting to have jurisdiction in the relevant circumstances.

“**Newco Note 3**” has the meaning set forth in Section 2.03.

“**Purchase Price**” has the meaning set forth in Section 2.02.

“**Share Pledge Agreement**” has the meaning set forth in Section 3.01(c).

“**Shares**” means 6,065,599 preference shares and 80 common shares of the Corporation.

“**Tax Act**” means the *Income Tax Act* (Canada).

“**TEMIC**” means The Erin Mills Investment Corporation.

“**Time of Closing**” means 12:01 a.m. (Toronto Time) on the Closing Date.

1.02 **Headings**

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.03 **Extended Meanings**

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities. The term “including” means “including without limiting the generality of the foregoing”.

1.04 **Statutory References**

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.

1.05 **Accounting Principles**

Wherever in this Agreement reference is made to a calculation to be made or an action to be taken in accordance with generally accepted accounting principles, such reference will be deemed to be to the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as at the date on which such calculation or action is made or taken or required to be made or taken.

1.06 **Currency**

All references to currency herein are to lawful money of Canada.

1.07 **Schedules**

The following is a Schedule to this Agreement:

Schedule A - Newco Note 3.

ARTICLE 2 - PURCHASE AND SALE

2.01 **Shares to be Sold and Purchased**

Upon and subject to the terms and conditions hereof, the Vendor will sell the Shares to the Purchaser and the Purchaser will purchase the Shares from the Vendor, as of the Time of Closing on the Closing Date.

2.02 **Purchase Price**

The purchase price payable to the Vendor for the Shares (such amount being hereinafter referred to as the “**Purchase Price**”) will be [XXX], which amount the parties estimate to be the fair market value of the Shares.

2.03 **Satisfaction of Purchase Price**

The Purchase Price will be satisfied in full by the issuance by the Purchaser to the Vendor of a demand non-interest bearing promissory note in the aggregate principal amount of [XXX] (the “**New Lorus Note 3**”), substantially in the form of the promissory note attached hereto as Schedule A.

Closing

The sale and purchase of the Shares shall be completed at the Time of Closing at the offices of McCarthy Tétrault LLP, Suite 4800, Toronto Dominion Bank Tower, Toronto-Dominion Centre, Toronto, Ontario.

ARTICLE 3 - REPRESENTATIONS AND WARRANTIES**Vendor's Representations and Warranties**

The Vendor hereby makes to the Purchaser the following representations and warranties and acknowledges that the Purchaser is relying upon such representations and warranties in connection with entering into this Agreement:

- (a) The Corporation is a corporation duly incorporated, organized and subsisting under the laws of Ontario with the corporate power to own its assets and to carry on its business.
- (b) The authorized capital of the Corporation consists of (i) an unlimited number of common shares, and (ii) an unlimited number of preferred shares.
- (c) All of the issued and outstanding Shares are beneficially owned by the Vendor and pledged to TEMIC pursuant to a share pledge agreement dated October 6, 2004 (the "**Share Pledge Agreement**").
- (d) The Vendor has the power, authority and right to enter into and deliver this Agreement and to transfer the legal and beneficial title and ownership of the Shares to the Purchaser, subject to all existing Charges, including the Share Pledge Agreement.
- (e) This Agreement constitutes a valid and legally binding obligation of the Vendor, enforceable against the Vendor in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.
- (f) Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Vendor will result in the violation of:
 - (i) any of the provisions of the constating documents or by-laws of the Vendor or of the Corporation;
 - (ii) any agreement or other instrument to which the Vendor or the Corporation is a party or by which the Vendor or the Corporation is bound; or

(iii) any Applicable Law in respect of which the Vendor or the Corporation must comply, except to the extent that such violation would not reasonably be expected to limit in any material manner the operations of the Corporation's business as they are presently conducted.

(g) The Vendor is not a non-resident person within the meaning of section 116 of the Tax Act.

3.02 **Purchaser's Representations and Warranties**

The Purchaser hereby makes to the Vendor the following representations and warranties and acknowledges that the Vendor is relying upon such representations and warranties in connection with entering into this Agreement:

- (a) The Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Canada with the corporate power to own its assets and to carry on its business.
- (b) The Purchaser has the power, authority and right to enter into and deliver this Agreement and to complete the transactions contemplated to be completed by the Purchaser hereunder.
- (c) This Agreement constitutes a valid and legally binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.
- (d) Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Purchaser will result in a violation of:
 - (i) any of the provisions of the constating documents or by-laws of the Purchaser;
 - (ii) any agreement or other instrument to which the Purchaser is a party or by which the Purchaser is bound; or
 - (iii) any Applicable Law.

3.03 **Survival of Representations, Warranties and Covenants**

- (1) The respective representations and warranties of the Vendor and the Purchaser contained in this Agreement shall survive the completion of the sale and purchase of the Shares herein provided for and, notwithstanding such completion, will continue in full force and effect for a period of two years from the Closing Date.

- (2) The respective covenants of the Vendor and the Purchaser contained in this Agreement shall survive the completion of the sale and purchase of the Shares herein provided for and, notwithstanding such completion, shall continue in full force and effect for the benefit of the Vendor or the Purchaser, as applicable, in accordance with the terms thereof.

ARTICLE 4 - COVENANTS

4.01 Cooperation

Each of the Purchaser and the Vendor shall use commercially reasonable efforts, at the expense of the Purchaser, to provide such information and assistance as is reasonably necessary to assist the Purchaser in obtaining all necessary consents, approvals, conveyances, assurances, assignments or any other documentation necessary or reasonably required by the Purchaser to transfer all of the Vendor's right, title and interest in and to the Purchased Assets to the Purchaser, subject to all existing Charges.

4.02 Cooperation on Tax Matters

Each of the Vendor and the Purchaser will, to the extent reasonably within such party's control, taking into account such party's access to books and records, furnish or cause to be furnished to each other, at the expense of the Purchaser, as promptly as practicable, such information and assistance, and provide additional information and explanations of any materials provided, relating to the Purchased Assets as is reasonably necessary for the filing of any tax returns, for the preparation of any audit, and for the prosecution or defence of any Claim, suit or proceeding relating to any adjustment or proposed adjustment with respect to taxes.

ARTICLE 5 - CONDITIONS

5.01 Conditions for the Benefit of the Purchaser

- (1) The sale by the Vendor and the purchase by the Purchaser of the Shares is subject to the following conditions which are for the exclusive benefit of the Purchaser to be performed or complied with at or prior to the Time of Closing:
- (a) the representations and warranties of the Vendor set forth in Section 3.01 will be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;
 - (b) the Vendor shall have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Vendor at or prior to the Time of Closing;
 - (c) the Purchaser shall be furnished with such certificates, affidavits or statutory declarations of the Corporation and of the Vendor or of officers of the Corporation and of the Vendor as the Purchaser or the Purchaser's counsel may

reasonably think necessary in order to establish that the terms, covenants and conditions contained in this Agreement to have been performed or complied with by the Vendor or by the Corporation, as the case may be, at or prior to the Time of Closing have been performed and complied with and that the representations and warranties of the Vendor herein given are true and correct at the Time of Closing;

- (d) there will have been obtained from all appropriate Governmental Authorities such approvals or consents as are required to permit the change of ownership of the Shares contemplated hereby and to permit the business of the Corporation to be carried on as now conducted;
 - (e) no action or proceeding in Canada will be pending or threatened by any person to enjoin, restrict or prohibit
 - (i) the sale and purchase of the Shares contemplated hereby; or
 - (ii) the right of the Corporation to conduct the business of the Corporation; and
 - (f) all necessary steps and proceedings will have been taken to permit the Shares to be duly and regularly transferred to the Purchaser.
- (2) In case any term or covenant of the Vendor or condition to be performed or complied with for the benefit of the Purchaser at or prior to the Time of Closing shall not have been performed or complied with at or prior to the Time of Closing, the Purchaser may, without limiting any other right that the Purchaser may have, at its sole option, either:
- (a) rescind this Agreement by notice to the Vendor, and in such event the Purchaser shall be released from all obligations hereunder; or
 - (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part.

5.02 **Conditions for the Benefit of the Vendor**

- (1) The sale by the Vendor and the purchase by the Purchaser of the Shares is subject to the following conditions which are for the exclusive benefit of the Vendor to be performed or complied with at or prior to the Time of Closing:
- (a) the representations and warranties of the Purchaser set forth in Section 3.02 shall be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;

- (b) the Purchaser shall have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Purchaser at or prior to the Time of Closing;
 - (c) the Vendor shall be furnished with such certificates, affidavits or statutory declarations of the Purchaser or of officers of the Purchaser as the Vendor or the Vendor's counsel may reasonably think necessary in order to establish that the terms, covenants and conditions contained in this Agreement to have been performed or complied with by the Purchaser at or prior to the Time of Closing have been performed and complied with and that the representations and warranties of the Purchaser herein given are true and correct at the Time of Closing; and
 - (d) the Purchaser will have delivered to the Vendor an original executed copy of Newco Note 3.
- (2) In case any term or covenant of the Purchaser or condition to be performed or complied with for the benefit of the Vendor at or prior to the Time of Closing shall not have been performed or complied with at or prior to the Time of Closing, the Vendor may, without limiting any other right that the Vendor may have, at its sole option, either:
- (a) rescind this Agreement by notice to the Purchaser, and in such event the Vendor shall be released from all obligations hereunder; or
 - (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part.

ARTICLE 6 - GENERAL

6.01 **Further Assurances**

Each of the Vendor and the Purchaser shall from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

6.02 **Time of the Essence**

Time shall be of the essence of this Agreement.

6.03 **Benefit of the Agreement**

This Agreement shall enure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

6.04 **Entire Agreement**

Except for the various collateral agreements entered into in connection with the Arrangement, this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

6.05 **Amendments and Waiver**

No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by both of the parties hereto and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived.

6.06 **Notices**

Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and shall be given by personal delivery, by registered mail or by electronic means of communication addressed to the recipient as follows:

To the Vendor:

2 Meridian Road
Toronto, Ontario M9W 4Z7

Fax No.: 416-798-2200
Email: ewilliams@lorusthera.com

Attention: Director of Finance

To the Purchaser:

2 Meridian Road
Toronto, Ontario M9W 4Z7

Fax No.: 416-798-2200
Email: ewilliams@lorusthera.com

Attention: Director of Finance

or to such other address, individual or electronic communication number as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery shall be conclusively deemed to have been given on the day of actual

delivery thereof and, if given by registered mail, on the fourth Business Day following the deposit thereof in the mail and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system which might affect the delivery of mail, any such demand, notice or other communication shall not be mailed but shall be given by personal delivery or by electronic communication.

6.07 **Governing Law**

This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

6.08 **Counterparts**

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

6.09 **Facsimiles**

Delivery of an executed signature page to this Agreement by any party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such party.

IN WITNESS WHEREOF the parties have executed this Agreement.

4325231 CANADA INC.

Per: "Aiping Young"

Per: "Graham Strachan"

LORUS THERAPEUTICS INC.

Per: "Aiping Young"

Per: "Graham Strachan"

Schedule A

Newco Note 3

PROMISSORY NOTE

FOR VALUE RECEIVED, the undersigned hereby promises to pay the sum of [XXX] in lawful money of Canada, without interest, to or to the order of 4325231 Canada Inc. on demand.

All payments hereunder will be made without days of grace, presentment, protest, notice of dishonour or any other notice whatsoever, all of which are hereby expressly waived by the maker and each endorser hereof.

The principal amount hereof may at any time be repaid in full without notice or bonus.

This Promissory Note will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

DATED as of •, 2007.

LORUS THERAPEUTICS INC.

Per: _____

Name:

Title:

ASSET PURCHASE AGREEMENT

BETWEEN

4325231 CANADA INC.

AND

GENESENSE TECHNOLOGIES INC.

MADE AS OF

July 10, 2007

McCarthy Tétrault LLP

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ASSET PURCHASE AGREEMENT

THIS AGREEMENT is made as of July 10, 2007

BETWEEN

4325231 CANADA INC., a corporation incorporated under the laws of Canada (the “**Vendor**”),

- and -

GENESENSE TECHNOLOGIES INC., a corporation incorporated under the laws of Canada (the “**Purchaser**”).

WHEREAS the Vendor is a life sciences company focused on research and development of effective anticancer development stage therapies with high safety;

AND WHEREAS the Vendor desires to sell and the Purchaser desires to purchase certain of the assets of the Vendor pertaining to that business upon and subject to the terms and conditions set out in this Agreement;

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the parties agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 **Definitions**

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

“**Agreement**” means this asset purchase agreement, including its recitals and schedules, as amended from time to time.

“**Applicable Law**” means

- (i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty, and
- (ii) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority having the force of law.

“**Business Day**” means a day other than a Saturday, Sunday or statutory holiday in the Province of Ontario.

“**Charges**” means all liens, charges, encumbrances and/or rights of others.

“**Claims**” means all losses, damages, expenses, liabilities (whether accrued, actual, contingent, latent or otherwise), claims and demands of whatever nature or kind including all legal fees and costs on a solicitor and client basis.

“**Closing Balance Sheet**” has the meaning set out in Section 2.04(1).

“**Closing Date**” means July 10, 2007 or such other date as may be agreed to in writing between the Vendor and the Purchaser.

“**Closing Statement**” has the meaning set out in Section 2.04(1).

“**Governmental Authority**” means any domestic or foreign legislative, executive, judicial or administrative body or person having or purporting to have jurisdiction in the relevant circumstances.

“**Permits**” means all permits, consents, waivers, licences, certificates, approvals, authorizations, registrations, franchises, rights, privileges and exemptions, or any item with a similar effect, issued or granted by any person.

“**Purchase Price**” has the meaning set out in Section 2.02.

“**Purchased Assets**” means the prepaid expenses and receivables described in Schedule A.

“**Share**” means a common share in the capital of GeneSense.

“**Statements**” has the meaning set out in Section 2.04(1).

“**Tax Act**” means the *Income Tax Act* (Canada).

“**Time of Closing**” means 12:01 a.m. (Toronto Time) on the Closing Date.

“**Transfer Taxes**” has the meaning set out in Section 4.02(1).

1.02 **Headings**

The division of this Agreement into Articles and Sections and the insertion of a table of contents and headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles and Sections of and Schedules to this Agreement.

1.03 **Extended Meanings**

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons

include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities. The term "including" means "including without limiting the generality of the foregoing".

1.04 **Statutory References**

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.

1.05 **Accounting Principles**

Wherever in this Agreement reference is made to a calculation to be made or an action to be taken in accordance with generally accepted accounting principles, such reference will be deemed to be to the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as at the date on which such calculation or action is made or taken or required to be made or taken.

1.06 **Currency**

All references to currency herein are to lawful money of Canada.

1.07 **Schedules**

The following is a Schedule to this Agreement:

Schedule A - Purchased Assets.

ARTICLE 2 - SALE AND PURCHASE

2.01 **Assets to be Sold and Purchased**

Upon and subject to the terms and conditions hereof, the Vendor will sell, assign, transfer and convey to the Purchaser and the Purchaser will purchase from the Vendor, at the Time of Closing, all of the right, title, benefit and interest of the Vendor in and to the Purchased Assets.

2.02 **Purchase Price**

The purchase price payable to the Vendor for the Purchased Assets (such amount being hereinafter referred to as the "**Purchase Price**") will be [XXX], subject to adjustment in accordance with Section 2.04, which amount the parties estimate to be the fair market value of the Purchased Assets.

2.03 **Payment of Purchase Price**

The obligation of the Purchaser to pay the Purchase Price to the Vendor will be satisfied in full and evidenced by the issuance and delivery by the Purchaser of one (1) Share to the Vendor at the Time of Closing.

2.04 **Closing Adjustment**

(1) On or before the date that is 90 days after the Closing Date, the Purchaser will prepare and deliver to the Vendor an unaudited balance sheet as at the Closing Date (the “**Closing Balance Sheet**”) and a statement of adjustments (the “**Closing Statement**”) and, together with the Closing Balance Sheet, the “**Statements**”) detailing the particulars of any required adjustments to the calculation of the Purchase Price. If requested by the Vendor, the Purchaser will permit the Vendor and its auditors and other representatives to review the working papers and other documentation used or prepared in connection with the preparation of, or that otherwise form the basis of, the Statements.

(2) If the Closing Statement, as determined by the Purchaser, exceeds, or is less than, the Purchase Price, the Purchase Price will be increased or decreased accordingly.

ARTICLE 3 - REPRESENTATIONS AND WARRANTIES

3.01 **Vendor's Representations and Warranties**

The Vendor hereby makes to the Purchaser the following representations and warranties and acknowledges that the Purchaser is relying upon such representations and warranties in connection with entering into this Agreement.

- (a) The Vendor is a corporation duly incorporated, organized and subsisting under the laws of Canada with the corporate power to own its assets and to carry on its business.
- (b) The Vendor has the power, authority and right to enter into and deliver this Agreement and to complete the transactions contemplated to be completed by the Vendor hereunder.
- (c) This Agreement constitutes a valid and legally binding obligation of the Vendor, enforceable against the Vendor in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.
- (d) Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Vendor will result in the violation of:

- (i) any of the provisions of the constating documents or by-laws of the Vendor;
 - (ii) any agreement or other instrument to which the Vendor is a party or by which the Vendor is bound; or
 - (iii) any Applicable Law.
- (e) The Vendor is registered under Part IX of the *Excise Tax Act* (Canada) with registration number 13175 3915 RT0001.
 - (f) The Vendor is not a non-resident person within the meaning of section 116 of the Tax Act.
 - (g) The Vendor has duly elected in prescribed form and jointly with the Purchaser to have the rules contained in subsection 156(2) of Part IX of the *Excise Tax Act* (Canada) apply to the purchase and sale of the Purchased Assets contemplated hereunder, which election remains valid and in effect.

3.02 **Purchaser's Representations and Warranties**

The Purchaser hereby makes to the Vendor the following representations and warranties and acknowledges that the Vendor is relying upon such representations and warranties in connection with entering into this Agreement:

- (a) The Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Canada with the corporate power to own its assets and to carry on its business.
- (b) The Purchaser has the power, authority and right to enter into and deliver this Agreement and to complete the transactions contemplated to be completed by the Purchaser hereunder.
- (c) This Agreement constitutes a valid and legally binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.
- (d) Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Purchaser will result in a violation of:
 - (i) any of the provisions of the constating documents or by-laws of the Purchaser;

- (ii) any agreement or other instrument to which the Purchaser is a party or by which the Purchaser is bound; or
- (iii) any Applicable Law.
- (e) The Purchaser is registered under Part IX of the *Excise Tax Act* (Canada) with registration number 88289 4165 RT0001.
- (f) The Purchaser has duly elected in prescribed form and jointly with the Vendor to have the rules contained in subsection 156(2) of Part IX of the *Excise Tax Act* (Canada) apply to the purchase and sale of the Purchased Assets contemplated hereunder, which election remains valid and in effect.

3.03

Survival of Representations, Warranties and Covenants

- (1) The respective representations and warranties of the Vendor and the Purchaser contained in this Agreement shall survive the completion of the sale and purchase of the Purchased Assets herein provided for and, notwithstanding such completion, will continue in full force and effect for a period of two years from the Closing Date.
- (2) The respective covenants of the Vendor and the Purchaser contained in this Agreement shall survive the completion of the sale and purchase of the Purchased Assets herein provided for and, notwithstanding such completion, will continue in full force and effect for the benefit of the Vendor or the Purchaser, as applicable, in accordance with the terms thereof.

ARTICLE 4 - COVENANTS

4.01

Covenants of the Vendor

- (1) The Vendor, immediately after the Closing Date at the Purchaser's expense and written direction, will file all necessary notices with all relevant Governmental Authorities evidencing the sale of the Purchased Assets to the Purchaser.

4.02

Covenants of the Purchaser

- (1) The Purchaser will be liable for and will pay, or will cause to be paid, all transfer, value added, *ad-valorem*, excise, sales, use, consumption, goods or services, harmonized sales, retail sales, social services, or other similar taxes or duties (collectively, "**Transfer Taxes**") payable under any Applicable Law on or with respect to the sale and purchase of the Purchased Assets under this Agreement. The Purchaser will prepare and file any affidavits or returns required in connection with the foregoing at its own cost and expense. To the extent that any Transfer Taxes are required to be paid by or are imposed upon the Vendor, the Purchaser will reimburse, or will cause to be reimbursed, to the Vendor such taxes within five Business Days of payment of such taxes by the Vendor. All amounts payable by the Purchaser to the Vendor hereunder do not include Transfer Taxes.

All amounts payable by the Purchaser to the Vendor hereunder do not include Transfer Taxes.

4.03 **Cooperation**

Each of the Purchaser and the Vendor shall use commercially reasonable efforts, at the expense of the Purchaser, to provide such information and assistance as is reasonably necessary to assist the Purchaser in obtaining all necessary consents, approvals, conveyances, assurances, assignments or any other documentation necessary or reasonably required by the Purchaser to transfer all of the Vendor's right, title and interest in and to the Purchased Assets to the Purchaser, subject to all existing Charges.

4.04 **Cooperation on Tax Matters**

Each of the Vendor and the Purchaser will, to the extent reasonably within such party's control, taking into account such party's access to books and records, furnish or cause to be furnished to each other, at the expense of the Purchaser, as promptly as practicable, such information and assistance, and provide additional information and explanations of any materials provided, relating to the Purchased Assets as is reasonably necessary for the filing of any tax returns, for the preparation of any audit, and for the prosecution or defence of any Claim, suit or proceeding relating to any adjustment or proposed adjustment with respect to taxes.

ARTICLE 5 - CONDITIONS

5.01 **Conditions for the Benefit of the Purchaser**

- (1) The sale by the Vendor and the purchase by the Purchaser of the Purchased Assets is subject to the following conditions, which are for the exclusive benefit of the Purchaser and which are to be performed or complied with at or prior to the Time of Closing:
- (a) the representations and warranties of the Vendor set forth in Section 3.01 will be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;
 - (b) the Vendor will have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Vendor at or prior to the Time of Closing;
 - (c) the Purchaser will be furnished with such certificates or other instruments (including instruments of conveyance with respect to the Purchased Assets) of the Vendor or of officers of the Vendor as the Purchaser or the Purchaser's counsel may reasonably think necessary in order to establish that the terms, covenants and conditions contained in this Agreement to have been performed or complied with by the Vendor at or prior to the Time of Closing have been performed or complied with and that the representations and warranties of the Vendor herein given are true and correct at the Time of Closing;

- (d) there will have been obtained from all appropriate Governmental Authorities such approvals or consents as are required to permit the change of ownership of the Purchased Assets contemplated hereby;
 - (e) no action or proceeding in Canada will be pending or threatened by any person, or Governmental Authority to enjoin, restrict or prohibit the sale and purchase of the Purchased Assets contemplated hereby; and
 - (f) all necessary steps and proceedings will have been taken to permit the Purchased Assets to be duly and regularly transferred to and registered in the name of the Purchaser.
- (2) In case any term or covenant of the Vendor or condition to be performed or complied with for the benefit of the Purchaser at or prior to the Time of Closing has not been performed or complied with at or prior to the Time of Closing, the Purchaser, without limiting any other right that the Purchaser has, may at its sole option either:
- (a) rescind this Agreement by notice to the Vendor, and in such event the Purchaser will be released from all obligations hereunder; or
 - (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part;

and, if the Purchaser rescinds this Agreement pursuant to Section 5.01(2)(a), the Vendor will also be released from all obligations hereunder unless the term, covenant or condition for which the Purchaser has rescinded this Agreement was one that the Vendor had covenanted to ensure had been performed or complied with, in which event the Vendor will be liable to the Purchaser for any Claims incurred by the Purchaser directly or indirectly as a result of such breach.

5.02 **Conditions for the Benefit of the Vendor**

- (1) The sale by the Vendor and the purchase by the Purchaser of the Purchased Assets is subject to the following conditions, which are for the exclusive benefit of the Vendor and which are to be performed or complied with at or prior to the Time of Closing:
- (a) the representations and warranties of the Purchaser set forth in Section 3.02 will be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;
 - (b) the Purchaser will have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Purchaser at or prior to the Time of Closing; and

- (c) the Vendor will be furnished with such certificates or other instruments of the Purchaser or of officers of the Purchaser as the Vendor or the Vendor's counsel may reasonably think necessary in order to establish that the terms, covenants and conditions contained in this Agreement to have been performed or complied with by the Purchaser at or prior to the Time of Closing have been performed or complied with and that the representations and warranties of the Purchaser herein given are true and correct at the Time of Closing.
- (2) In case any term or covenant of the Purchaser or condition to be performed or complied with for the benefit of the Vendor at or prior to the Time of Closing has not been performed or complied with at or prior to the Time of Closing, the Vendor, without limiting any other right that the Vendor has, may at its sole option either:
 - (a) rescind this Agreement by notice to the Purchaser, and in such event the Vendor will be released from all obligations hereunder; or
 - (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part;

and, if the Vendor rescinds this Agreement pursuant to Section 5.02(2)(a), the Purchaser will also be released from all obligations hereunder unless the term, covenant or condition for which the Vendor has rescinded this Agreement was one that the Purchaser had covenanted to ensure had been performed or complied with, in which event the Purchaser will be liable to the Vendor for any Claims incurred by the Vendor directly or indirectly as a result of such breach.

ARTICLE 6 - CLOSING ARRANGEMENTS

6.01 Closing

The sale and purchase of the Purchased Assets will be completed at the Time of Closing at the offices of McCarthy Tétrault LLP, Suite 4700, Toronto Dominion Bank Tower, Toronto -Dominion Bank Centre, Toronto, Ontario M5K 1E6.

6.02 Examination of Records and Assets

The Purchaser will preserve any documents provided to it by the Vendor prior to the Closing Date for a period of five years from the Closing Date, or for such other period as is required by any Applicable Law, and will permit the Vendor and its authorized representatives reasonable access thereto in connection with the affairs of the Vendor, but the Purchaser will not be responsible or liable to the Vendor for or as a result of any loss or destruction of or damage to any such documents.

ARTICLE 7 - GENERAL

7.01 **Further Assurances**

Each of the Vendor and the Purchaser will from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

7.02 **Time of the Essence**

Time is of the essence of this Agreement.

7.03 **Benefit of the Agreement**

This Agreement will enure to the benefit of and be binding upon the respective heirs, executors, administrators, other legal representatives, successors and permitted assigns of the parties hereto.

7.04 **Entire Agreement**

Except for the various collateral agreements entered into in connection with the Arrangement, this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

7.05 **Amendments and Waivers**

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by both of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

7.06 **Notices**

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery, by registered mail, by facsimile or by electronic means of communication addressed to the recipient as follows:

To the Vendor:

2 Meridian Road
Toronto, Ontario M9W 4Z7

Fax No.: 416-798-2200
Email: ewilliams@lorusthera.com

Attention: Director of Finance

To the Purchaser:

2 Meridian Road
Toronto, Ontario M9W 4Z7

Fax No.: 416-798-2200
Email: ewilliams@lorusthera.com

Attention: Director of Finance

or to such other street address, individual or electronic communication number or address as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the fourth Business Day following the deposit thereof in the mail and, if given by facsimile or electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system that might affect the delivery of mail, any such demand, notice or other communication may not be mailed but must be given by personal delivery, by facsimile or by electronic communication.

7.07

Governing Law

This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

7.08 **Counterparts**

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

7.09 **Facsimiles**

Delivery of an executed signature page to this Agreement by any party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such party.

[Remainder of page left intentionally blank]

IN WITNESS WHEREOF the parties have executed this Agreement.

GENESENSE TECHNOLOGIES INC.

Per: “Aiping Young”

Per: _____

4325231 CANADA INC.

Per: “Aiping Young”

Per: “Graham Strachan”

SCHEDULE A

Purchased Assets

All of the Vendor's right, title and interest in and to the following assets:

- [XXX] in respect of accounts receivable;
- [XXX] in respect of GST input tax credits;
- [XXX] in respect of QST input tax credits;
- [XXX] in respect of accrued interest;
- [XXX] in respect of employee advances;
- [XXX] in respect of prepaid amounts;
- [XXX] in respect of security deposits and advances;
- [XXX] in respect of investment tax credits; and
- [XXX] in respect of deferred financing costs.

ASSET PURCHASE AGREEMENT

BETWEEN

GENESENSE TECHNOLOGIES INC.

AND

4325231 CANADA INC.

MADE AS OF

July 10, 2007

McCarthy Tétrault LLP

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ASSET PURCHASE AGREEMENT

THIS AGREEMENT is made as of July 10, 2007

BETWEEN

GENESENSE TECHNOLOGIES INC., a corporation incorporated under the laws of Canada (the "**Purchaser**"),

- and -

4325231 CANADA INC., a corporation incorporated under the laws of Canada (the "**Vendor**").

WHEREAS the Vendor is a life sciences company focused on the research and development of effective anticancer development stage therapies with high safety;

WHEREAS the Vendor is undertaking an arrangement of its business by way of plan of arrangement (the "**Plan of Arrangement**") under Section 192(3) of the *Canada Business Corporations Act* pursuant to which the Vendor will restructure its business and obtain non-diluting financing for its biotechnology business (the "**Arrangement**");

AND WHEREAS the Vendor, 6650309 Canada Inc. ("**Newco**"), the Purchaser, NuChem Pharmaceuticals Inc., Pinnacle International Lands, Inc. and 6707157 Canada Inc. entered into an arrangement agreement (the "**Arrangement Agreement**") dated as of May 1, 2007 in order to effect the Arrangement and implement the Plan of Arrangement;

AND WHEREAS pursuant to the Plan of Arrangement, (i) all of the Vendor's assets and certain of its liabilities will be transferred by the Vendor on the Effective Date to the Purchaser pursuant to (A) the Virulizin and Small Molecule Patent Assets Transfer Agreement, (B) the Prepaid Expenses and Receivables Transfer Agreement, and (C) this Agreement, and (ii) the Purchaser will transfer the Antisense Patent Assets to Newco pursuant to the AntiSense Patent Assets Transfer Agreement;

AND WHEREAS the Vendor desires to sell and transfer and the Purchaser desires to purchase the Purchased Assets upon and subject to the terms and conditions set out in this Agreement;

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the parties agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 **Definitions**

Capitalized terms not otherwise defined in this Agreement shall have the meanings given to them in the Arrangement Agreement. In this Agreement, unless something in the subject matter or context is inconsistent therewith:

“**Agreement**” means this asset purchase agreement, including its recitals and schedules, as amended from time to time.

“**Applicable Law**” means

- (i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty, and
- (ii) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority having the force of law.

“**Arrangement**” has the meaning set forth in the recitals.

“**Arrangement Agreement**” has the meaning set forth in the recitals.

“**Books and Records**” means all books and records relating to the Vendor, other than the Vendor’s minute books.

“**Business Day**” means a day other than a Saturday, Sunday or statutory holiday in the Province of Ontario.

“**Charges**” means all liens, charges, encumbrances and/or rights of others.

“**Claims**” means all losses, damages, expenses, liabilities (whether accrued, actual, contingent, latent or otherwise), claims and demands of whatever nature or kind including all legal fees and costs on a solicitor and client basis.

“**Closing Balance Sheet**” has the meaning set forth in Section 2.05.

“**Closing Date**” means July 10, 2007 or such other date as may be agreed to in writing between the Vendor and the Purchaser.

“**Closing Statement**” has the meaning set forth in Section 2.05.

“**Governmental Authority**” means any domestic or foreign legislative, executive, judicial or administrative body or person having or purporting to have jurisdiction in the relevant circumstances.

“**Head Office Lease**” the lease agreement dated July 27, 2001, as amended April 15, 2005, between 565991 Ontario Limited and the Vendor in connection with the premises located at 2 Meridian Road, Toronto, Ontario

“**Intellectual Property**” means intellectual property of any nature and kind owned or leased by the Vendor including all domestic and foreign trade-marks, business names, trade names, domain names, trading styles, patents, trade secrets, software, industrial designs and copyrights, whether registered or unregistered, and all applications for registration thereof, and inventions, formulae, recipes, product formulations, processes and processing methods, technology and techniques, and know-how, and any confidential information, including any submissions to a regulatory authority, clinical trial results, any goodwill associated with trade-marks, business names, trade names, domain names and the like and the waiver of any moral rights in any copyright excluding the (i) AntiSense Patent Assets and (ii) the Virulizin and Small Molecule Patent Assets.

“**Newco**” has the meaning set forth in the recitals.

“**Plan of Arrangement**” has the meaning set forth in the recitals.

“**Permits and Licences**” means all permits, consents, waivers, licences, certificates, approvals, authorizations, registrations, franchises, rights, privileges and exemptions, or any item with a similar effect, issued or granted by any person.

“**Purchase Price**” has the meaning set out in Section 2.02.

“**Purchased Assets**” means the assets described in Schedule A and the Remaining Assets.

“**Remaining Assets**” means any undertaking, property and asset of the Vendor, other than:

- (a) assets which are being transferred to the Purchaser under:
 - (i) the Antisense Patent Assets Transfer Agreement;
 - (ii) the Virulizin and Small Molecule Patent Assets Transfer Agreement;
 - (iii) the Prepaid Expenses and Receivables Transfer Agreement;
 - (iv) the GeneSense Share Purchase Agreement; and
 - (v) the NuChem Share Purchase Agreement;
- (b) the assets described in Schedule A; and
- (c) any cash and cash equivalents to remain in Old Lorus as contemplated in the Plan of Arrangement.

“**Remaining Contracts**” means any contracts of the Vendor other than the Head Office Lease, those contracts which are being transferred to the Purchaser under the Virulizin and Small Molecule Patent Assets Transfer Agreement and the Prepaid Expenses and Receivables Transfer Agreement and such other contracts as may be agreed in writing between the Purchaser and the Vendor on or prior to the Closing Date.

“**Share**” means a common share in the capital of the Purchaser.

“**Statements**” has the meaning set forth in Section 2.05.

“**Tax**” and “**Taxes**” means, with respect to any entity, all forms of taxation or tax, duties, charges (including, for the avoidance of doubt, any specific business tax or sales tax, corporate income tax, value added tax, stamp duty), levy, assessment, impost, surcharge, duty or other charge or withholding of a similar nature or other governmental charges of any nature imposed by any foreign or local Governmental Authority (including any penalty, interest, fine, or addition thereto, whether disputed or not, payable in connection with any failure to pay or any delay in paying any of the same) or any other amount imposed on, or in respect of, any of the above.

“**Tax Act**” means the *Income Tax Act* (Canada).

“**Tax Returns**” means all returns, reports, declarations, statements, bills, schedules, forms or written information of, or in respect of, Taxes that are, or are required to be, filed with or supplied to any Taxation Authority.

“**Taxation Authority**” means any government, agency or authority that is entitled to impose Taxes or to administer any applicable Tax legislation.

“**Time of Closing**” means 12:01 a.m. (Toronto Time) on the Closing Date.

“**Transfer Taxes**” has the meaning set out in Section 4.02(1).

“**Unadjusted Assets**” means the Intellectual Property, customer lists, Books and Records, Permits and Licenses, the Head Office Lease and the Remaining Contracts.

1.02 **Headings**

The division of this Agreement into Articles and Sections and the insertion of a table of contents and headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles and Sections of and Schedules to this Agreement.

1.03 **Extended Meanings**

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities. The term “including” means “including without limiting the generality of the foregoing”.

1.04 **Statutory References**

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.

1.05 **Accounting Principles**

Wherever in this Agreement reference is made to a calculation to be made or an action to be taken in accordance with generally accepted accounting principles, such reference will be deemed to be to the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as at the date on which such calculation or action is made or taken or required to be made or taken.

1.06 **Currency**

All references to currency herein are to lawful money of Canada.

1.07 **Schedules**

The following are Schedules to this Agreement:

Schedule A - Purchased Assets; and

Schedule 2.03 - Purchase Price Allocation.

ARTICLE 2 - SALE AND PURCHASE

2.01 **Assets to be Sold and Purchased**

Upon and subject to the terms and conditions hereof, the Vendor will sell, assign, transfer and convey to the Purchaser and the Purchaser will purchase from the Vendor, at the Time of Closing, all of the right, title, benefit and interest of the Vendor in and to the Purchased Assets.

2.02 **Purchase Price**

The purchase price payable to the Vendor for the Purchased Assets (such amount being hereinafter referred to as the “**Purchase Price**”) will be:

- (a) in respect of the Purchased Assets, other than the Unadjusted Assets, [XXX], subject to adjustment in accordance with Section 2.05; and
- (b) in respect of each of the Unadjusted Assets, an amount equal to the Vendor’s cost thereof,

which amounts the parties estimate to be the fair market value of the Purchased Assets.

2.03 **Purchase Price Allocation**

The Vendor and the Purchaser agree to allocate the Purchase Price in accordance with the provisions of Schedule 2.03 and to execute and file all Tax Returns and prepare all financial statements, returns and other instruments on the basis of this allocation. The Vendor and the Purchaser also agree to timely notify the other party in the event of an examination, audit or other proceeding regarding this allocation.

2.04 **Payment of Purchase Price**

The obligation of the Purchaser to pay the Purchase Price to the Vendor will be satisfied in full and evidenced by the issuance and delivery by the Purchaser of one (1) Share to the Vendor at the Time of Closing.

2.05 **Closing Adjustment**

(1) On or before the date that is 90 days after the Closing Date, the Purchaser will prepare and deliver to the Vendor an unaudited balance sheet as at the Closing Date (the “**Closing Balance Sheet**”) and a statement of adjustments (the “**Closing Statement**” and, together with the Closing Balance Sheet, the “**Statements**”) detailing the particulars of any required adjustments in the calculation of the Purchase Price with respect to the Purchased Assets other than the Unadjusted Assets. If requested by the Vendor, the Purchaser will permit the Vendor and its auditors and other representatives to review the working papers and other documentation used or prepared in connection with the preparation of, or that otherwise form the basis of, the Statements.

(2) If the Closing Statement, as determined by the Purchaser, exceeds, or is less than, the Purchase Price, the Purchase Price will be increased or decreased accordingly.

2.06 **Non-Assignable Contracts and Commitments**

(1) The Vendor will use commercially reasonable efforts (other than the payment of money or assumption of obligations) to obtain any third party consents or waivers necessary to permit the assignment to, and assumption by, the Purchaser of all of the contracts and other commitments to be assigned to and assumed by the Purchaser pursuant to this Agreement.

(2) Nothing in this Agreement will constitute an agreement to assign or an attempted assignment of any contract or other commitment for which any requisite consent or waiver to the assignment thereof has not been obtained. To the extent permitted by Applicable Law, if any requisite consent or waiver to the assignment thereof has not been obtained on or prior to the Time of Closing, the applicable contract or other commitment will be held by the Vendor in trust for the benefit of the Purchaser and the Purchaser will perform the obligations of the Vendor thereunder and be entitled to receive all money becoming due and payable under and other benefits derived from the contract or other commitment immediately after receipt by the Vendor.

ARTICLE 3 - REPRESENTATIONS AND WARRANTIES

3.01 **Vendor's Representations and Warranties**

The Vendor hereby makes to the Purchaser the following representations and warranties and acknowledges that the Purchaser is relying upon such representations and warranties in connection with entering into this Agreement.

- (a) The Vendor is a corporation duly incorporated, organized and subsisting under the laws of Canada with the corporate power to own its assets and to carry on its business.
- (b) The Vendor has the power, authority and right to enter into and deliver this Agreement and to complete the transactions contemplated to be completed by the Vendor hereunder.
- (c) This Agreement constitutes a valid and legally binding obligation of the Vendor, enforceable against the Vendor in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.
- (d) Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Vendor will result in the violation of:
 - (i) any of the provisions of the constating documents or by-laws of the Vendor;
 - (ii) any agreement or other instrument to which the Vendor is a party or by which the Vendor is bound; or
 - (iii) any Applicable Law.
- (e) The Vendor is registered under Part IX of the *Excise Tax Act* (Canada) with registration number 13175 3915 RT0001.
- (f) The Vendor is not a non-resident person within the meaning of section 116 of the Tax Act.
- (g) The Vendor has duly elected in prescribed form and jointly with the Purchaser to have the rules contained in subsection 156(2) of Part IX of the *Excise Tax Act* (Canada) apply to the purchase and sale of the Purchased Assets contemplated hereunder, which election remains valid and in effect.

Purchaser's Representations and Warranties

The Purchaser hereby makes to the Vendor the following representations and warranties and acknowledges that the Vendor is relying upon such representations and warranties in connection with entering into this Agreement:

- (a) The Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Canada with the corporate power to own its assets and to carry on its business.
- (b) The Purchaser has the power, authority and right to enter into and deliver this Agreement and to complete the transactions contemplated to be completed by the Purchaser hereunder.
- (c) This Agreement constitutes a valid and legally binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.
- (d) Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Purchaser will result in a violation of:
 - (i) any of the provisions of the constating documents or by-laws of the Purchaser;
 - (ii) any agreement or other instrument to which the Purchaser is a party or by which the Purchaser is bound; or
 - (iii) any Applicable Law.
- (e) The Purchaser is registered under Part IX of the *Excise Tax Act* (Canada) with registration number 88289 4165 RT0001.
- (f) The Purchaser has duly elected in prescribed form and jointly with the Vendor to have the rules contained in subsection 156(2) of Part IX of the *Excise Tax Act* (Canada) apply to the purchase and sale of the Purchased Assets contemplated hereunder, which election remains valid and in effect.

Survival of Representations, Warranties and Covenants

- (1) The respective representations and warranties of the Vendor and the Purchaser contained in this Agreement shall survive the completion of the sale and purchase of the Purchased

Assets herein provided for and, notwithstanding such completion, will continue in full force and effect for a period of two years from the Closing Date.

- (2) The respective covenants of the Vendor and the Purchaser contained in this Agreement shall survive the completion of the sale and purchase of the Purchased Assets herein provided for and, notwithstanding such completion, shall continue in full force and effect for the benefit of the Vendor or the Purchaser, as applicable, in accordance with the terms thereof.

ARTICLE 4 - COVENANTS

4.01 Covenants of the Vendor

- (1) The Vendor, immediately after the Closing Date at the Purchaser's expense and written direction, will file all necessary notices with all relevant Governmental Authorities evidencing the sale of the Purchased Assets to the Purchaser.

4.02 Covenants of the Purchaser

- (1) The Purchaser will be liable for and will pay, or will cause to be paid, all transfer, value added, *ad-valorem*, excise, sales, use, consumption, goods or services, harmonized sales, retail sales, social services, or other similar taxes or duties (collectively, "**Transfer Taxes**") payable under any Applicable Law on or with respect to the sale and purchase of the Purchased Assets under this Agreement. The Purchaser will prepare and file any affidavits or returns required in connection with the foregoing at its own cost and expense. To the extent that any Transfer Taxes are required to be paid by or are imposed upon the Vendor, the Purchaser will reimburse, or will cause to be reimbursed, to the Vendor such taxes within five Business Days of payment of such taxes by the Vendor. All amounts payable by the Purchaser to the Vendor hereunder do not include Transfer Taxes.
- (2) The Purchaser shall provide the Vendor with a purchase exemption certificate for any tangible Purchased Assets that are exempt from Ontario retail sales tax.

4.03 Cooperation

Each of the Purchaser and the Vendor shall use commercially reasonable efforts, at the expense of the Purchaser, to provide such information and assistance as is reasonably necessary to assist the Purchaser in obtaining all necessary consents, approvals, conveyances, assurances, assignments or any other documentation necessary or reasonably required by the Purchaser to transfer all of the Vendor's right, title and interest in and to the Purchased Assets to the Purchaser, subject to all existing Charges.

Cooperation on Tax Matters

Each of the Vendor and the Purchaser will, to the extent reasonably within such party's control, taking into account such party's access to books and records, furnish or cause to be furnished to each other, at the expense of the Purchaser, as promptly as practicable, such information and assistance, and provide additional information and explanations of any materials provided, relating to the Purchased Assets as is reasonably necessary for the filing of any tax returns, for the preparation of any audit, and for the prosecution or defence of any Claim, suit or proceeding relating to any adjustment or proposed adjustment with respect to taxes.

ARTICLE 5 - CONDITIONS**Conditions for the Benefit of the Purchaser**

- (1) The sale by the Vendor and the purchase by the Purchaser of the Purchased Assets is subject to the following conditions, which are for the exclusive benefit of the Purchaser and which are to be performed or complied with at or prior to the Time of Closing:
- (a) the representations and warranties of the Vendor set forth in Section 3.01 will be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;
 - (b) the Vendor will have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Vendor at or prior to the Time of Closing;
 - (c) the Purchaser will be furnished with such certificates or other instruments (including instruments of conveyance with respect to the Purchased Assets) of the Vendor or of officers of the Vendor as the Purchaser or the Purchaser's counsel may reasonably think necessary in order to establish that the terms, covenants and conditions contained in this Agreement to have been performed or complied with by the Vendor at or prior to the Time of Closing have been performed or complied with and that the representations and warranties of the Vendor herein given are true and correct at the Time of Closing;
 - (d) there will have been obtained from all appropriate Governmental Authorities such approvals or consents as are required to permit the change of ownership of the Purchased Assets contemplated hereby;
 - (e) no action or proceeding in Canada will be pending or threatened by any person, or Governmental Authority to enjoin, restrict or prohibit the sale and purchase of the Purchased Assets contemplated hereby; and
 - (f) all necessary steps and proceedings will have been taken to permit the Purchased Assets to be duly and regularly transferred to and registered in the name of the Purchaser.

- (2) In case any term or covenant of the Vendor or condition to be performed or complied with for the benefit of the Purchaser at or prior to the Time of Closing has not been performed or complied with at or prior to the Time of Closing, the Purchaser, without limiting any other right that the Purchaser has, may at its sole option either:
- (a) rescind this Agreement by notice to the Vendor, and in such event the Purchaser will be released from all obligations hereunder; or
 - (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part;

and, if the Purchaser rescinds this Agreement pursuant to Section 5.01(2)(a), the Vendor will also be released from all obligations hereunder unless the term, covenant or condition for which the Purchaser has rescinded this Agreement was one that the Vendor had covenanted to ensure had been performed or complied with, in which event the Vendor will be liable to the Purchaser for any Claims incurred by the Purchaser directly or indirectly as a result of such breach.

5.02 **Conditions for the Benefit of the Vendor**

- (1) The sale by the Vendor and the purchase by the Purchaser of the Purchased Assets is subject to the following conditions, which are for the exclusive benefit of the Vendor and which are to be performed or complied with at or prior to the Time of Closing:
- (a) the representations and warranties of the Purchaser set forth in Section 3.02 will be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;
 - (b) the Purchaser will have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Purchaser at or prior to the Time of Closing; and
 - (c) the Vendor will be furnished with such certificates or other instruments of the Purchaser or of officers of the Purchaser as the Vendor or the Vendor's counsel may reasonably think necessary in order to establish that the terms, covenants and conditions contained in this Agreement to have been performed or complied with by the Purchaser at or prior to the Time of Closing have been performed or complied with and that the representations and warranties of the Purchaser herein given are true and correct at the Time of Closing.
- (2) In case any term or covenant of the Purchaser or condition to be performed or complied with for the benefit of the Vendor at or prior to the Time of Closing has not been performed or complied with at or prior to the Time of Closing, the Vendor, without limiting any other right that the Vendor has, may at its sole option either:

- (a) rescind this Agreement by notice to the Purchaser, and in such event the Vendor will be released from all obligations hereunder; or
- (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part;

and, if the Vendor rescinds this Agreement pursuant to Section 5.02(2)(a), the Purchaser will also be released from all obligations hereunder unless the term, covenant or condition for which the Vendor has rescinded this Agreement was one that the Purchaser had covenanted to ensure had been performed or complied with, in which event the Purchaser will be liable to the Vendor for any Claims incurred by the Vendor directly or indirectly as a result of such breach.

ARTICLE 6 - CLOSING ARRANGEMENTS

6.01 **Closing**

The sale and purchase of the Purchased Assets will be completed at the Time of Closing at the offices of McCarthy Tétrault LLP, Suite 4700, Toronto Dominion Bank Tower, Toronto -Dominion Bank Centre, Toronto, Ontario M5K 1E6.

6.02 **Examination of Records and Assets**

The Purchaser will preserve any documents provided to it by the Vendor prior to the Closing Date for a period of five years from the Closing Date, or for such other period as is required by any Applicable Law, and will permit the Vendor and its authorized representatives reasonable access thereto in connection with the affairs of the Vendor, but the Purchaser will not be responsible or liable to the Vendor for or as a result of any loss or destruction of or damage to any such documents.

ARTICLE 7 - GENERAL

7.01 **Further Assurances**

Each of the Vendor and the Purchaser will from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

7.02 **Time of the Essence**

Time is of the essence of this Agreement.

7.03 **Benefit of the Agreement**

This Agreement will enure to the benefit of and be binding upon the respective heirs, executors, administrators, other legal representatives, successors and permitted assigns of the parties hereto.

7.04 **Entire Agreement**

Except for the various collateral agreements entered into in connection with the Arrangement, this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

7.05 **Amendments and Waivers**

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by both of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

7.06 **Notices**

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery, by registered mail, by facsimile or by electronic means of communication addressed to the recipient as follows:

To the Vendor:

2 Meridian Road
Toronto, Ontario M9W 4Z7

Fax No.: 416-798-2200
Email: ewilliams@lorusthera.com

Attention: Director of Finance

To the Purchaser:

2 Meridian Road
Toronto, Ontario M9W 4Z7

Fax No.: 416-798-2200
Email: ewilliams@lorusthera.com

Attention: Director of Finance

or to such other street address, individual or electronic communication number or address as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the fourth Business Day following the deposit thereof in the mail and, if given by facsimile or electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system that might affect the delivery of mail, any such demand, notice or other communication may not be mailed but must be given by personal delivery, by facsimile or by electronic communication.

7.07 **Governing Law**

This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

7.08 **Counterparts**

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

7.09 **Facsimiles**

Delivery of an executed signature page to this Agreement by any party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such party.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF the parties have executed this Agreement.

GENESENSE TECHNOLOGIES INC.

Per: “Aiping Young”

Per: _____

4325231 CANADA INC.

Per: “Aiping Young”

Per: “Graham Strachan”

SCHEDULE A

All of the Vendor's right, title and interest in and to the following assets:

- computer hardware;
 - computer software;
 - machinery and equipment;
 - office furniture and equipment;
 - office leaseholds;
 - new animal facility leasehold;
 - operating and scientific inventory;
 - Intellectual Property;
 - customer lists;
 - Books and Records;
 - Permits and Licences;
 - the Head Office Lease; and
 - the Remaining Contracts.
-

SCHEDULE 2.03

Purchase Price Allocation

No.	Purchased Asset	Amount of Purchase Price Allocated Thereto
1.	computer hardware	[XXX]
2.	computer software	[XXX]
3.	machinery and equipment	[XXX]
4.	office furniture and equipment	[XXX]
5.	office leaseholds	[XXX]
6.	leasehold - new animal facility	[XXX]
7.	operating and scientific inventories	[XXX]
8.	Intellectual Property, customer lists and Books and Records	[XXX]
9.	Permits and Licences	[XXX]
10.	the Head Office Lease	[XXX]
11.	the Remaining Contracts	[XXX] The purchase price is satisfied in full by the assumption by the Purchaser of all of the Vendor's obligations and liabilities under the Remaining Contracts.
12.	the Remaining Assets	[XXX]

ASSET PURCHASE AGREEMENT
BETWEEN
GENESENSE TECHNOLOGIES INC.
AND
4325231 CANADA INC.
MADE AS OF
July 10, 2007

McCarthy Tétrault LLP

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ASSET PURCHASE AGREEMENT

THIS AGREEMENT is made as of July 10, 2007

BETWEEN

GENESENSE TECHNOLOGIES INC., a corporation incorporated under the laws of Canada (the "**Purchaser**"),

- and -

4325231 CANADA INC., a corporation incorporated under the laws of Canada (the "**Vendor**").

WHEREAS the Vendor is a life sciences company focused on the research and development of effective anticancer development stage therapies with high safety;

AND WHEREAS the Vendor desires to sell and the Purchaser desires to purchase certain of the assets of the Vendor pertaining to that business upon and subject to the terms and conditions set out in this Agreement;

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the parties agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 **Definitions**

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

"**Agreement**" means this asset purchase agreement, including its recitals and schedules, as amended from time to time.

"**Applicable Law**" means

- (i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty, and
- (ii) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority having the force of law.

"**Business Day**" means a day other than a Saturday, Sunday or statutory holiday in the Province of Ontario.

"**Charges**" means all liens, charges, encumbrances and/or rights of others.

“**Claims**” means all losses, damages, expenses, liabilities (whether accrued, actual, contingent, latent or otherwise), claims and demands of whatever nature or kind including all legal fees and costs on a solicitor and client basis.

“**Closing Date**” means July 10, 2007 or such other date as may be agreed to in writing between the Vendor and the Purchaser.

“**Governmental Authority**” means any domestic or foreign legislative, executive, judicial or administrative body or person having or purporting to have jurisdiction in the relevant circumstances.

“**Permits**” means all permits, consents, waivers, licences, certificates, approvals, authorizations, registrations, franchises, rights, privileges and exemptions, or any item with a similar effect, issued or granted by any person.

“**Purchase Price**” has the meaning set out in Section 2.02.

“**Purchased Assets**” means the patent assets described in Schedule A.

“**Tax Act**” means the *Income Tax Act* (Canada).

“**Time of Closing**” means 12:01 a.m. (Toronto Time) on the Closing Date.

“**Transfer Taxes**” has the meaning set out in Section 4.02(1).

1.02 **Headings**

The division of this Agreement into Articles and Sections and the insertion of a table of contents and headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles and Sections of and Schedules to this Agreement.

1.03 **Extended Meanings**

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities. The term “including” means “including without limiting the generality of the foregoing”.

1.04 **Statutory References**

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.

1.05 **Accounting Principles**

Wherever in this Agreement reference is made to a calculation to be made or an action to be taken in accordance with generally accepted accounting principles, such reference will be deemed to be to the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as at the date on which such calculation or action is made or taken or required to be made or taken.

1.06 **Currency**

All references to currency herein are to lawful money of Canada.

1.07 **Schedules**

The following is a Schedule to this Agreement:

Schedule A - Purchased Assets.

ARTICLE 2 - SALE AND PURCHASE

2.01 **Assets to be Sold and Purchased**

Upon and subject to the terms and conditions hereof, the Vendor will sell, assign, transfer and convey to the Purchaser and the Purchaser will purchase from the Vendor, at the Time of Closing, all of the right, title, benefit and interest of the Vendor in and to the Purchased Assets.

2.02 **Purchase Price**

The purchase price payable to the Vendor for the Purchased Assets (such amount being hereinafter referred to as the “Purchase Price”) will be [XXX], which amount the parties estimate to be the fair market value of the Purchased Assets.

2.03 **Payment of Purchase Price**

The obligation of the Purchaser to pay the Purchase Price to the Vendor will be satisfied in full and evidenced by the issuance and delivery by the Purchaser of one (1) common share in the capital of the Purchaser to the Vendor at the Time of Closing.

ARTICLE 3 - REPRESENTATIONS AND WARRANTIES

3.01 **Vendor's Representations and Warranties**

The Vendor hereby makes to the Purchaser the following representations and warranties and acknowledges that the Purchaser is relying upon such representations and warranties in connection with entering into this Agreement.

- (a) The Vendor is a corporation duly incorporated, organized and subsisting under the laws of Canada with the corporate power to own its assets and to carry on its business.
- (b) The Vendor has the power, authority and right to enter into and deliver this Agreement and to complete the transactions contemplated to be completed by the Vendor hereunder.
- (c) This Agreement constitutes a valid and legally binding obligation of the Vendor, enforceable against the Vendor in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.
- (d) Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Vendor will result in the violation of:
 - (i) any of the provisions of the constating documents or by-laws of the Vendor;
 - (ii) any agreement or other instrument to which the Vendor is a party or by which the Vendor is bound; or
 - (iii) any Applicable Law.
- (e) The Vendor is registered under Part IX of the *Excise Tax Act* (Canada) with registration number 13175 3915 RT0001.
- (f) The Vendor is not a non-resident person within the meaning of section 116 of the Tax Act.
- (g) The Vendor has duly elected in prescribed form and jointly with the Purchaser to have the rules contained in subsection 156(2) of Part IX of the *Excise Tax Act* (Canada) apply to the purchase and sale of the Purchased Assets contemplated hereunder, which election remains valid and in effect.

Purchaser's Representations and Warranties

The Purchaser hereby makes to the Vendor the following representations and warranties and acknowledges that the Vendor is relying upon such representations and warranties in connection with entering into this Agreement:

- (a) The Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Canada with the corporate power to own its assets and to carry on its business.
- (b) The Purchaser has the power, authority and right to enter into and deliver this Agreement and to complete the transactions contemplated to be completed by the Purchaser hereunder.
- (c) This Agreement constitutes a valid and legally binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.
- (d) Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Purchaser will result in a violation of:
 - (i) any of the provisions of the constating documents or by-laws of the Purchaser;
 - (ii) any agreement or other instrument to which the Purchaser is a party or by which the Purchaser is bound; or
 - (iii) any Applicable Law.
- (e) The Purchaser is registered under Part IX of the *Excise Tax Act* (Canada) with registration number 88289 4165 RT0001.
- (f) The Purchaser has duly elected in prescribed form and jointly with the Vendor to have the rules contained in subsection 156(2) of Part IX of the *Excise Tax Act* (Canada) apply to the purchase and sale of the Purchased Assets contemplated hereunder, which election remains valid and in effect.

Survival of Representations, Warranties and Covenants

- (1) The respective representations and warranties of the Vendor and the Purchaser contained in this Agreement shall survive the completion of the sale and purchase of the Purchased

Assets herein provided for and, notwithstanding such completion, will continue in full force and effect for a period of two years from the Closing Date.

- (2) The respective covenants of the Vendor and the Purchaser contained in this Agreement shall survive the completion of the sale and purchase of the Purchased Assets herein provided for and, notwithstanding such completion, shall continue in full force and effect for the benefit of the Vendor or the Purchaser, as applicable, in accordance with the terms thereof.

ARTICLE 4 - COVENANTS

4.01 Covenants of the Vendor

- (1) The Vendor, immediately after the Closing Date at the Purchaser's expense and written direction, will file all necessary notices with all relevant Governmental Authorities evidencing the sale of the Purchased Assets to the Purchaser.

4.02 Covenants of the Purchaser

- (1) The Purchaser will be liable for and will pay, or will cause to be paid, all transfer, value added, *ad-valorem*, excise, sales, use, consumption, goods or services, harmonized sales, retail sales, social services, or other similar taxes or duties (collectively, "**Transfer Taxes**") payable under any Applicable Law on or with respect to the sale and purchase of the Purchased Assets under this Agreement. The Purchaser will prepare and file any affidavits or returns required in connection with the foregoing at its own cost and expense. To the extent that any Transfer Taxes are required to be paid by or are imposed upon the Vendor, the Purchaser will reimburse, or will cause to be reimbursed, to the Vendor such taxes within five Business Days of payment of such taxes by the Vendor. All amounts payable by the Purchaser to the Vendor hereunder do not include Transfer Taxes.

4.03 Section 85(1) Election

The Vendor and Purchaser will elect in the prescribed manner and within the prescribed time, pursuant to the provisions of subsection 85(1) of the Tax Act, to effect the transfer of the Purchased Assets at agreed amounts equal to the Vendor's cost amount (as defined in subsection 248(1) of the Tax Act) or \$1 in the event the Vendor's cost amount for the Purchased Assets is nil.

4.04 Cooperation

Each of the Purchaser and the Vendor shall use commercially reasonable efforts, at the expense of the Purchaser, to provide such information and assistance as is reasonably necessary to assist the Purchaser in obtaining all necessary consents, approvals, conveyances, assurances, assignments or any other documentation necessary or reasonably required by the

Purchaser to transfer all of the Vendor's right, title and interest in and to the Purchased Assets to the Purchaser, subject to all existing Charges.

4.05 **Cooperation on Tax Matters**

Each of the Vendor and the Purchaser will, to the extent reasonably within such party's control, taking into account such party's access to books and records, furnish or cause to be furnished to each other, at the expense of the Purchaser, as promptly as practicable, such information and assistance, and provide additional information and explanations of any materials provided, relating to the Purchased Assets as is reasonably necessary for the filing of any tax returns, for the preparation of any audit, and for the prosecution or defence of any Claim, suit or proceeding relating to any adjustment or proposed adjustment with respect to taxes.

ARTICLE 5 - CONDITIONS

5.01 **Conditions for the Benefit of the Purchaser**

- (1) The sale by the Vendor and the purchase by the Purchaser of the Purchased Assets is subject to the following conditions, which are for the exclusive benefit of the Purchaser and which are to be performed or complied with at or prior to the Time of Closing:
- (a) the representations and warranties of the Vendor set forth in Section 3.01 will be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;
 - (b) the Vendor will have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Vendor at or prior to the Time of Closing;
 - (c) the Purchaser will be furnished with such certificates or other instruments (including instruments of conveyance with respect to the Purchased Assets) of the Vendor or of officers of the Vendor as the Purchaser or the Purchaser's counsel may reasonably think necessary in order to establish that the terms, covenants and conditions contained in this Agreement to have been performed or complied with by the Vendor at or prior to the Time of Closing have been performed or complied with and that the representations and warranties of the Vendor herein given are true and correct at the Time of Closing;
 - (d) there will have been obtained from all appropriate Governmental Authorities such approvals or consents as are required to permit the change of ownership of the Purchased Assets contemplated hereby;
 - (e) no action or proceeding in Canada will be pending or threatened by any person, or Governmental Authority to enjoin, restrict or prohibit the sale and purchase of the Purchased Assets contemplated hereby; and

- (f) all necessary steps and proceedings will have been taken to permit the Purchased Assets to be duly and regularly transferred to and registered in the name of the Purchaser.
- (2) In case any term or covenant of the Vendor or condition to be performed or complied with for the benefit of the Purchaser at or prior to the Time of Closing has not been performed or complied with at or prior to the Time of Closing, the Purchaser, without limiting any other right that the Purchaser has, may at its sole option either:
 - (a) rescind this Agreement by notice to the Vendor, and in such event the Purchaser will be released from all obligations hereunder; or
 - (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part;

and, if the Purchaser rescinds this Agreement pursuant to Section 5.01(2)(a), the Vendor will also be released from all obligations hereunder unless the term, covenant or condition for which the Purchaser has rescinded this Agreement was one that the Vendor had covenanted to ensure had been performed or complied with, in which event the Vendor will be liable to the Purchaser for any Claims incurred by the Purchaser directly or indirectly as a result of such breach.

5.02 **Conditions for the Benefit of the Vendor**

- (1) The sale by the Vendor and the purchase by the Purchaser of the Purchased Assets is subject to the following conditions, which are for the exclusive benefit of the Vendor and which are to be performed or complied with at or prior to the Time of Closing:
 - (a) the representations and warranties of the Purchaser set forth in Section 3.02 will be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;
 - (b) the Purchaser will have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Purchaser at or prior to the Time of Closing; and
 - (c) the Vendor will be furnished with such certificates or other instruments of the Purchaser or of officers of the Purchaser as the Vendor or the Vendor's counsel may reasonably think necessary in order to establish that the terms, covenants and conditions contained in this Agreement to have been performed or complied with by the Purchaser at or prior to the Time of Closing have been performed or complied with and that the representations and warranties of the Purchaser herein given are true and correct at the Time of Closing.

- (2) In case any term or covenant of the Purchaser or condition to be performed or complied with for the benefit of the Vendor at or prior to the Time of Closing has not been performed or complied with at or prior to the Time of Closing, the Vendor, without limiting any other right that the Vendor has, may at its sole option either:
- (a) rescind this Agreement by notice to the Purchaser, and in such event the Vendor will be released from all obligations hereunder; or
 - (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part;

and, if the Vendor rescinds this Agreement pursuant to Section 5.02(2)(a), the Purchaser will also be released from all obligations hereunder unless the term, covenant or condition for which the Vendor has rescinded this Agreement was one that the Purchaser had covenanted to ensure had been performed or complied with, in which event the Purchaser will be liable to the Vendor for any Claims incurred by the Vendor directly or indirectly as a result of such breach.

ARTICLE 6 - CLOSING ARRANGEMENTS

6.01 **Closing**

The sale and purchase of the Purchased Assets will be completed at the Time of Closing at the offices of McCarthy Tétrault LLP, Suite 4700, Toronto Dominion Bank Tower, Toronto Dominion Bank Centre, Toronto, Ontario M5K 1E6.

6.02 **Examination of Records and Assets**

The Purchaser will preserve any documents provided to it by the Vendor prior to the Closing Date for a period of five years from the Closing Date, or for such other period as is required by any Applicable Law, and will permit the Vendor and its authorized representatives reasonable access thereto in connection with the affairs of the Vendor, but the Purchaser will not be responsible or liable to the Vendor for or as a result of any loss or destruction of or damage to any such documents.

ARTICLE 7 - GENERAL

7.01 **Further Assurances**

Each of the Vendor and the Purchaser will from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

7.02 **Time of the Essence**

Time is of the essence of this Agreement.

7.03 **Benefit of the Agreement**

This Agreement will enure to the benefit of and be binding upon the respective heirs, executors, administrators, other legal representatives, successors and permitted assigns of the parties hereto.

7.04 **Entire Agreement**

Except for the various collateral agreements entered into in connection with the Arrangement, this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

7.05 **Amendments and Waivers**

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by both of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

7.06 **Notices**

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery, by registered mail, by facsimile or by electronic means of communication addressed to the recipient as follows:

To the Vendor:

2 Meridian Road
Toronto, Ontario M9W 4Z7

Fax No.: 416-798-2200
Email: ewilliams@lorusthera.com

Attention: Director of Finance

To the Purchaser:

2 Meridian Road
Toronto, Ontario M9W 4Z7

Fax No.: 416-798-2200
Email: ewilliams@lorusthera.com

Attention: Director of Finance

or to such other street address, individual or electronic communication number or address as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the fourth Business Day following the deposit thereof in the mail and, if given by facsimile or electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system that might affect the delivery of mail, any such demand, notice or other communication may not be mailed but must be given by personal delivery, by facsimile or by electronic communication.

7.07 **Governing Law**

This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

7.08 **Counterparts**

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

7.09 **Facsimiles**

Delivery of an executed signature page to this Agreement by any party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such party.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF the parties have executed this Agreement.

GENESENSE TECHNOLOGIES INC.

Per: “Aiping Young”

Per: _____

4325231 CANADA INC.

Per: “Aiping Young”

Per: “Graham Strachan”

SCHEDULE A

Purchased Assets

All of the Vendor's right, title and interest in and to the following assets:

- the Virulizin patent assets listed in Exhibit A attached hereto; and
 - the Small Molecule patent assets listed in Exhibit B attached hereto.
-

Exhibit A

Virulizin Patent Assets

[XXX]

Exhibit B

Small Molecule Patent Assets

[XXX]

ESCROW AGREEMENT

BETWEEN

6707157 CANADA INC.

AND

LORUS THERAPEUTICS INC.

AND

EQUITY TRANSFER & TRUST COMPANY

MADE AS OF

July 10, 2007

McCarthy Tétrault LLP

ESCROW AGREEMENT

THIS AGREEMENT is made as of July 10, 2007

BETWEEN

6707157 CANADA INC., a corporation incorporated under the laws of Canada (the "**Purchaser**")

- and -

LORUS THERAPEUTICS INC., a corporation incorporated under the laws of Canada ("**New Lorus**" and, together with the Purchaser, the "**Parties**")

- and -

EQUITY TRANSFER & TRUST COMPANY, a trust company governed under the *Trust and Loan Companies Act* (Canada) ("**Escrow Agent**").

WHEREAS pursuant to the terms of the share purchase agreement (the "**Purchase Agreement**") dated as of the date hereof between the Purchaser and New Lorus (as the same may be amended or modified from time to time in accordance with its terms), the Parties have agreed to enter into this Agreement with respect to a portion of the Purchase Price equal to Cdn. \$600,000 (the "**Escrow Amount**") as security for and a partial, but not exclusive, source of satisfaction of Lorus's indemnification obligations under the Purchase Agreement;

AND WHEREAS the Parties desire to more specifically set forth their rights and obligations with respect to the Escrow Amount and the release and distribution thereof;

AND WHEREAS the execution and delivery of this Agreement is a condition to the obligations of the Parties to complete the transactions contemplated under the Purchase Agreement;

AND WHEREAS unless otherwise defined herein or the context clearly indicates to the contrary, capitalized terms used in this Agreement (including the recitals hereto) will have the meanings given to them in the Purchase Agreement;

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the Parties and the Escrow Agent agree as follows:

1. Establishment of Escrow Account.

(a) Simultaneously with or promptly following the execution and delivery of this Agreement by each of the Parties, New Lorus irrevocably authorizes and directs the Purchaser to withhold from the Purchase Price an amount equal to the Escrow Amount

and deposit or cause to be deposited with the Escrow Agent the Escrow Amount to be held in escrow by the Escrow Agent, such deposit to be made by the wire transfer of immediately available funds to an account specified by the Escrow Agent. The Escrow Agent agrees to accept the Escrow Amount and to establish and maintain a separate account (the “**Escrow Account**”) in its capacity as escrow agent pursuant to the terms of this Agreement.

(b) Each of the Parties will execute and deliver to the Escrow Agent the applicable certificate of incumbency in the form attached hereto as Schedule A and Schedule B, respectively, for the purpose of establishing the identity of the representatives of the each Party entitled to issue instructions or directions to the Escrow Agent on behalf of each Party. In the event of any change in the identity of such representatives, a new certificate of incumbency will be executed and delivered to the Escrow Agent by the appropriate Party. Until such time as the Escrow Agent receives a new certificate of incumbency, the Escrow Agent will be fully protected in relying without further inquiry on the then current certificate of incumbency on file with the Escrow Agent.

(c) Each of the Parties will furnish to the Escrow Agent appropriate Canada Revenue Agency forms for tax identification number certification.

2. **Interest-Bearing Account.** Pending the release and distribution in accordance with the terms of this Agreement and subject to Section 4(h) hereof, all collected and available funds held by the Escrow Agent pursuant to this Agreement will be deposited in an interest-bearing account or as otherwise indicated in a written direction delivered to the Escrow Agent and executed by an authorized representative of each Party (a “**Joint Direction**”), any such Joint Direction, unless received by the Escrow Agent by 9:00 a.m. (Toronto time) on a Business Day, will be deemed received by the Escrow Agent on the next following Business Day. All interest earned will be retained in the Escrow Account and reinvested from time to time in accordance with this provision. Interest earned on the Escrow Amount will be for the benefit of and allocated to New Lorus. The Parties hereto will not hold the Escrow Agent liable for any investment related loss including any loss resulting from the sale of an investment prior to its maturity date. Unless invested, funds in the Escrow Account will earn interest at the annual rate of the prime rate offered by the bank at which the Escrow Deposit is being held, less 4%.

3. **Release of Escrow Account.** The Escrow Amount will be released and distributed only as follows:

(a) **Indemnification Claims.** The Purchaser will notify the Escrow Agent and New Lorus in writing of any claim for indemnification by a Purchaser Indemnified Party pursuant to the Purchase Agreement specifying the nature of, the specific basis for and the amount of such claim, the method used for the delivery of such notice and the date on which such notice will be deemed effectively given to the Escrow Agent (as determined pursuant to Section 8 hereof) (a “**Claim Notice**”). If the Escrow Agent does not receive a Dispute Notice (as defined below) prior to 5:00 p.m. (Toronto time) on the date that is 15 Business Days following the date on which a particular Claim Notice was received (or deemed to have been received) by the Escrow Agent (as determined pursuant to Section 8

hereof) (the “**Dispute Deadline**”), the Escrow Agent will forthwith release from the Escrow Account and distribute or cause to be distributed to the Purchaser that portion of the Escrow Account as specified in the applicable Claim Notice. If a Dispute Notice is received by the Escrow Agent prior to the Dispute Deadline, such claim will be resolved pursuant to Section 3(b) hereof.

(b) Disputes and Unresolved Claims. If the Escrow Agent receives (or is deemed to have received) from New Lorus a written objection to any Claim Notice (or portion thereof) made in accordance with Section 3(a) hereof prior to the Dispute Deadline (a “**Dispute Notice**”), then, except as otherwise provided in Section 3(c) below, the Escrow Agent will not distribute to the Purchaser or New Lorus any of the Escrow Account that is the subject of such Dispute Notice until the Escrow Agent receives either:

- (i) a Joint Direction authorizing the release to either the Purchaser or New Lorus of all or a portion of the Escrow Account that is the subject of such Dispute Notice; or
- (ii) a copy of a final, non-appealable order of a court of competent jurisdiction (together with a legal opinion of counsel for the presenting party satisfactory to the Escrow Agent that such order is final and non-appealable) directing the release to either the Purchaser or New Lorus of all or a portion of the Escrow Account that is the subject of such Dispute Notice.

Promptly upon the Escrow Agent’s receipt (or deemed receipt) of such Joint Direction or such final order of a court (any such Joint Direction or final order of a court, a “**Final Determination**”) with respect to a Dispute Notice, the Escrow Agent will forthwith release from the Escrow Account and distribute or cause to be distributed (x) to the Purchaser the appropriate portion of the Escrow Account to be released to the Purchaser pursuant to such Final Determination, and (y) if applicable, to New Lorus in accordance with Section 3(d) hereof the appropriate portion of the Escrow Account not so released to the Purchaser that had been held back to cover Pending Claims (as defined below) subject to such Final Determination. In the event that New Lorus is the prevailing party in whole or in part in connection with any dispute governed by this Section 3(b), the portion of the Escrow Account that was the subject of the applicable Dispute Notice and that is not subject to release to the Purchaser or New Lorus as provided in the immediately preceding sentence will remain in the Escrow Account and will be available to satisfy subsequent claims hereunder until released in accordance with Section 3(d) hereof. New Lorus will not object to a Claim Notice unless it in good faith believes that all or a portion (as the case may be) of the claim made under such Claim Notice is not payable to the Purchaser pursuant to the Purchase Agreement. Any Dispute Notice will describe in reasonable detail the specific basis for any objection to the matters set forth in the Claim Notice, the portion of such claim (if less than all) which is the subject of such Dispute Notice, the method used for the delivery of such Dispute Notice and the date on which such notice will be deemed effectively given to the Escrow Agent (as determined pursuant to Section 8 hereof). New Lorus will send a copy of any Dispute Notice to the Purchaser contemporaneously with the giving of such notice to the Escrow Agent.

(c) Partial Release. If any Dispute Notice includes an objection to only a portion of a claim set forth in a Claim Notice, the Escrow Agent will forthwith release from the Escrow Account and distribute or cause to be distributed to the Purchaser the amount of the Escrow Account equal to the portion of such claim for which there is no objection; provided, however, that no such partial release by the Escrow Agent will terminate or otherwise prejudice the Purchaser's rights with respect to any amount claimed in any Claim Notice which is in excess of any amount so released.

(d) Release of Remaining Escrow Account. The Escrow Agent will release the Escrow Account to New Lorus as follows:

(i) at 5:00 p.m. (Toronto time) on July 10, 2008, all of the remaining Escrow Account in excess of any amounts with respect to which any Purchaser Indemnified Party (A) is entitled to (as a result of a resolved claim), but has not yet received, disbursement from the Escrow Account pursuant to this Agreement, and (B) has in good faith asserted a claim for but not yet obtained a Final Determination pursuant to this Agreement ("**Pending Claims**"); and

(ii) promptly upon resolution pursuant to Section 3(b) hereof of all Pending Claims, all of the Escrow Account that is not payable to a Purchaser Indemnified Party in accordance with such resolution.

(e) No Limitation of Remedies. New Lorus hereby acknowledges and agrees that the payment of all or any portion of the Escrow Account to the Purchaser pursuant to this Agreement will not limit or otherwise affect any right of indemnification that any Purchaser Indemnified Party may otherwise have pursuant to the Purchase Agreement or otherwise and that the Escrow Account does not constitute an exclusive remedy for Claims of any Purchaser Indemnified Party pursuant to the Purchase Agreement.

(f) Termination. This Agreement will terminate when all of the Escrow Account has been released and distributed in accordance with this Section 3. Upon such termination, this Agreement will have no further force and effect, except that the provisions of Section 4 and Sections 8 through 16 below will survive such termination.

4. Concerning the Escrow Agent. Notwithstanding any other provision of this Agreement, the Escrow Agent (and each of its officers, directors, employees and agents) will:

(a) not be liable for any action taken or omitted under this Agreement so long as it will have acted in good faith and without gross negligence or wilful misconduct;

(b) have no responsibility to inquire into or determine the genuineness, authenticity, or sufficiency of any securities, cheques, or other documents or instruments submitted to it in connection with its duties hereunder;

(c) be fully protected in acting or refraining from acting or relying upon any written notice, direction, request, waiver, consent, receipt or other document or instrument that the Escrow Agent in good faith reasonably believes to have been signed and presented by the authorized party or parties;

(d) be entitled to compensation for its services hereunder as set forth on Schedule C hereto, which is made a part hereof, and for reimbursement of its reasonable out-of-pocket expenses, including the reasonable fees and disbursements of lawyers or agents which it may find necessary to engage in performance of its duties hereunder, all of such expenses, fees and disbursements to be borne equally between the Purchaser and New Lorus, and the Escrow Agent will have, and is hereby granted, a prior lien upon any property, cash, or assets of the Escrow Account, with respect to its unpaid fees and nonreimbursed out-of-pocket expenses, superior to the interests of any other persons or entities;

(e) be obliged to provide an account or invoice only to the Purchaser and New Lorus from time to time during the term of this Agreement in connection with any services rendered by it under this Agreement on behalf of any of the parties hereto;

(f) be entitled and is hereby granted the right to set off and deduct any unpaid fees and/or nonreimbursed out-of-pocket expenses from amounts on deposit in the Escrow Account;

(g) be, and hereby is, jointly and severally indemnified and saved harmless by the Parties from all losses, liabilities, costs and expenses, including reasonable legal fees and expenses, which may be incurred by it as a result of its acceptance of the Escrow Amount or arising from the performance of its duties hereunder, unless such losses, liabilities, costs and expenses resulted from the bad faith, gross negligence or wilful misconduct of the Escrow Agent, and such indemnification will survive its resignation or removal, or the termination of this Agreement;

(h) in the event that (i) any dispute will arise between the Parties with respect to the release or disbursement of any of the assets held hereunder or (ii) the Escrow Agent will be uncertain as to how to proceed in a situation not explicitly addressed by the terms of this Agreement, whether because of conflicting demands by the Parties or otherwise, be entitled, at its option, to refuse to comply with any claims or demands on it with respect thereto as long as such dispute or uncertainty shall continue, and in so refusing, the Escrow Agent may elect to make no delivery of the Escrow Amount and any interest received thereon, other than to interplead all of the assets held hereunder into a court of competent jurisdiction, and thereafter be fully relieved from any and all liability or obligation with respect to such interpleaded assets. The Parties further agree to pursue any redress or recourse in connection with such a dispute without making the Escrow Agent a party to same;

(i) have only those duties as are specifically provided herein, which will be deemed purely ministerial in nature, and will under no circumstance be deemed a fiduciary for any of the parties to this Agreement. The Escrow Agent will neither be responsible for, nor chargeable with, knowledge of the terms and conditions of any other agreement, instrument or document between the Parties in connection herewith, including without limitation the Purchase Agreement. This Agreement sets forth all matters pertinent to the escrow contemplated hereunder and no additional obligations of the Escrow Agent will be inferred from the terms of this Agreement or any other agreement. In no event will the Escrow Agent be liable, directly or indirectly, for any damages or expenses arising out of the services provided hereunder, including for special, indirect or consequential damages, or lost profits or loss of business, other than with respect to liability, damages and/or expenses resulting from its own bad faith, gross negligence or wilful misconduct;

(j) have the right, but not the obligation, to consult with counsel of its choice and will not be liable for action taken or omitted to be taken by the Escrow Agent either in accordance with the advice of such counsel;

(k) have the right to perform any of its duties hereunder through agents, attorneys, custodians or nominees; and

(l) disburse funds only to the extent that funds have been deposited with it and, for greater certainty, will not at any time have any duty to expend its own funds.

5. Attachment of Escrow Fund; Compliance with Legal Orders. In the event that the Escrow Account will be attached, garnished or levied upon by any court order, or the delivery thereof will be stayed or enjoined by an order of a court, or any order, judgment or decree will be made or entered by any court order affecting the Escrow Amount deposited under this Agreement, the Escrow Agent is hereby expressly authorized to obey and comply with all writs, orders or decrees so entered or issued, which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction, and in the event that the Escrow Agent obeys or complies with any such writ, order or decree it will not be liable to any of the Parties or to any other person, firm or corporation, by reason of such compliance notwithstanding such writ, order or decree be subsequently reversed, modified, annulled, set aside or vacated.

6. Tax Matters. The parties agree that the Escrow Agent does not have any interest in the Escrow Amount, but is serving only as escrow agent hereunder. All taxes in respect of earnings on the Escrow Amount will be the obligation of and will be paid when due by the recipient of such earnings, who shall indemnify and hold the Escrow Agent harmless from and against any liability arising from such taxes, including the failure to pay such taxes. To the extent required by law, the Escrow Agent will perform its withholding, remittance and reporting obligations under the *Income Tax Act* (Canada), as amended, and the regulations promulgated thereunder and any relevant provincial legislation. New Lorus represents and warrants in favour of the Escrow Agent that it is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada).

7. Resignation or Removal of Escrow Agent.

(a) The Escrow Agent may resign as such following the giving of thirty days prior written notice to the Purchaser and New Lorus. Similarly, the Escrow Agent may be removed and replaced following the giving of thirty days prior written notice to the Escrow Agent signed by the Purchaser and New Lorus. In either event, the duties of the Escrow Agent will, subject to its prior payment of its fees and expenses, terminate thirty days after receipt of such notice (or as of such earlier date as may be mutually agreeable); and the Escrow Agent will then deliver the balance of the Escrow Account then in its possession to a successor escrow agent as will be appointed by the Purchaser and New Lorus as evidenced by a Joint Direction filed with the Escrow Agent.

(b) If the Purchaser and New Lorus have failed to appoint a successor escrow agent prior to the expiration of thirty days following receipt of the notice of resignation or removal, the Escrow Agent may, but will not be obligated to, appoint a successor escrow agent or petition a court of competent jurisdiction for the appointment of a successor escrow agent or for other appropriate relief, and any such resulting appointment will be binding upon all of the parties hereto.

8. Notices. Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery, by registered mail or by electronic means of communication addressed to the recipient as follows:

To New Lorus:

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

Fax No.: 416.798.2200
Attention: Director of Finance

To the Purchaser:

6707157 Canada Inc.
c/o Pinnacle International Lands, Inc.
Suite 300 - 911 Homer Street
Vancouver, BC V6B 2W6

Fax No.: 604.688.7749
Attention: Vice President Finance

To the Escrow Agent:

Equity Transfer & Trust Company
200 University Avenue, Suite 400
Toronto, Ontario, M5H 4H1

Fax: No.: (416) 361-0470
Attention: Corporate Trust Department

or to such other street address, individual or electronic communication number or address as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the fifth Business Day following the deposit thereof in the mail and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system that might affect the delivery of mail, any such demand, notice or other communication may not be mailed but must be given by personal delivery or by electronic communication.

9. Governing Law; Counterparts; Facsimile. This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument. Delivery of an executed signature page to this Agreement by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement.

10. Amendment, Modification and Waiver. This Agreement may be amended or modified and any term of this Agreement may be waived if such amendment, modification or waiver is in writing and signed by all parties.

11. Assignment of Interests. No assignment of the interest of any of the parties hereto will be binding upon the Escrow Agent unless and until written evidence of such assignment in form satisfactory to the Escrow Agent will be filed with and accepted by the Escrow Agent.

12. Headings. The division of this Agreement into Articles and Sections and the insertion of a table of contents and headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles and Sections of and Schedules to this Agreement.

13. Extended Meanings. In this Agreement words importing the singular number include the plural and vice versa, words importing any gender include all genders and words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities. The term "including" means "including without limiting the generality of the foregoing".

14. Statutory References. In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.
15. Currency. All references to currency herein are to lawful money of Canada.
16. Time of the Essence. Time is of the essence of this Agreement.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

6707157 CANADA INC.

By: “Michael De Cotiis”
Michael De Cotiis
President

LORUS THERAPEUTICS INC.

By: “Aiping Young”
Name: Aiping Young
Title:

By: “Graham Strachan”
Name: Graham Strachan
Title:

EQUITY TRANSFER & TRUST COMPANY

By: “Derrice Richards”
Name: Derrice Richards
Title: Senior Advisor

By: “Shelley Martin”
Name: Shelley Martin
Title: Corporate Trust Officer

SCHEDULE A

CERTIFICATE OF INCUMBENCY

To: Equity Transfer & Trust Company

The undersigned, Secretary of 6707157 Canada Inc. (the "Purchaser"), a corporation incorporated under the laws of Canada, hereby certifies that the following named officer is duly appointed, qualified and acting in the capacity set forth opposite such officer's name, and the following signature is the true and genuine signature of such officer.

<u>Name</u>	<u>Title</u>	<u>Signature</u>
Michael De Cotiis	President	

Such officer is hereby authorized to furnish the Escrow Agent with directions on behalf of the Purchaser relating to any matter concerning the escrow agreement dated on or about the date hereof between the Purchaser, Lorus Therapeutics Inc. and Equity Transfer & Trust Company, and the monies held pursuant thereto.

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Incumbency to be executed this ____ day of _____, 2007.

6707157 CANADA INC.

By:

Michael De Cotiis
President

SCHEDULE B

CERTIFICATE OF INCUMBENCY

To: Equity Transfer & Trust Company

The undersigned, Chief Executive Officer of Lorus Therapeutics Inc. ("New Lorus"), a corporation incorporated under the laws of Canada, hereby certifies that the following named officer is duly appointed, qualified and acting in the capacity set forth opposite such officer's name and the following signature is the true and genuine signature of such officer.

Name	Title	Signature
Aiping Young	Chief Executive Officer	

Such officer is hereby authorized to furnish the Escrow Agent with directions on behalf of New Lorus relating to any matter concerning the escrow agreement dated on or about the date hereof between 6707157 Canada Inc., New Lorus and Equity Transfer & Trust Company, and the monies held pursuant thereto.

IN WITNESS WHEREOF, the undersigned have caused this Certificate of Incumbency to be executed by their respective officers duly authorized this ____ day of _____, 2007.

By: **LORUS THERAPEUTICS INC.**

Name:
Title:

SCHEDULE C

SCHEDULE OF ESCROW FEES

[attached]



EQUITY
TRANSFER & TRUST COMPANY

Lorus Therapeutics Inc. and 6707157 Canada Inc.
Fee Schedule
For Acting as Escrow Agent for Cash

Acceptance Fee for all services relating to the review of the draft escrow agreement and the giving of comments thereon to legal counsel, attendance at closing and the receipt of escrowed property, deposit of the escrowed property in safekeeping and the set up of the administration of the agreement. (Up to 10 hours, thereafter at \$250/hour).	\$ 3,000.00*
Annual Retainer Fee as escrow agent, for each year or part thereof, including the holding of the escrowed funds and one investment transaction per month.	6,500.00*
Each Additional investment purchase/sale	65.00
Releases: review of each notice, pursuant to the agreement, confirming satisfaction of the conditions for the release of funds	100.00
Disbursements , subject to a minimum of \$300	
each cheque	5.00
each EFT, wire transfer or certified cheque	100.00
Tax reporting , each supplementary form (\$340.00 minimum)	5.00
Tax reporting, each summary	150.00
Professional Services: Fees for additional services, not previously described, will be charged on the basis of time, effort and responsibility involved.	

Disbursements:

Disbursements are in addition to our fees. These may include postage, long distance telephone, telecopier, storage, couriers, stationery and photocopies.

Terms:

*Payment is due at Closing. The fees provided are effective for 2 years, after which time, we reserve the right to increase the fees based on our assessment of the work and responsibility involved in the administration of the file.

Interest on unpaid bills:

2.0% per month will be charged on any unpaid balances after 30 days. If your account is 60 days in arrears, we reserve the right to withdraw services.

Accepted this ____ day of _____, 2007

LORUS THERAPEUTICS INC.

Authorized Signatory
6707157 CANADA INC.

Authorized Signatory

AMENDED AND RESTATED GENERAL SECURITY AGREEMENT

THIS AGREEMENT is made as of the 10th day of July, 2007,

BY: **GENESENSE TECHNOLOGIES INC.**, a corporation incorporated under the laws of Canada
(the "Company")

IN FAVOUR OF: **THE ERIN MILLS INVESTMENT CORPORATION**, a corporation incorporated under the laws of the Province of
Ontario
(the "Investor")

RECITALS:

- A. The Company entered into a general security agreement dated as of October 6, 2004 in favour of the Investor, as amended by the assignment, novation and amendment agreement and consent dated as of May 1, 2007 between Lorus Therapeutics Inc. ("Lorus"), the Company, New Lorus (as defined below) and the Investor, as amended or supplemented from time to time, (the "Assignment Agreement").
- B. Lorus entered into a corporate reorganization transaction completed by way of plan of arrangement (the "Arrangement") on July 10, 2007 under the *Canada Business Corporations Act* pursuant to which Lorus transferred substantially all of its assets, including its antisense patent assets, to a new corporate entity, 6650309 Canada Inc., which will carry on business under the name "Lorus Therapeutics Inc." ("New Lorus").

NOW THEREFORE in consideration of the sum of \$1.00 and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Company agrees with the Investor as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

In this Agreement:

- 1.1.1 "Accessions" means Goods that are installed in or affixed to other Goods;
- 1.1.2 "Account" means any monetary obligation not evidenced by Chattel Paper, an Instrument or a Security, whether or not it has been earned by performance;
- 1.1.3 "this Agreement", "hereto", "herein", "hereof", "hereby", "hereunder" and any similar expressions refer to this Agreement as it may be amended or supplemented from time to time, and not to any particular article, section or other portion hereof;

- 1.1.4 “**Business Day**” means any day, other than Saturday, Sunday or any statutory holiday in the Province of Ontario;
- 1.1.5 “**Chattel Paper**” means one or more than one writing that evidences both a monetary obligation and a security interest in or a lease of specific Goods;
- 1.1.6 “**Collateral**” means all of the undertaking, property and assets of the Company subject to, or intended to be subject to, the Security Interest, and any reference to “Collateral” shall be deemed to be a reference to “Collateral or any part thereof” except where otherwise specifically provided;
- 1.1.7 “**Debentures**” means the convertible secured debentures issued by Lorus to the Investor pursuant to the Subscription Agreement;
- 1.1.8 “**Document of Title**” means any writing that purports to be issued by or addressed to a bailee and purports to cover such Goods in the bailee's possession as are identified or fungible portions of an identified mass, and that in the ordinary course of business is treated as establishing that the Person in possession of it is entitled to receive, hold and dispose of the document and the Goods it covers;
- 1.1.9 “**Event of Default**” has the meaning attributed to such term in the Debentures;
- 1.1.10 “**Goods**” means tangible personal property other than Chattel Paper, Documents of Title, Instruments, Money and Securities, and includes fixtures, growing crops, the unborn young of animals, timber to be cut, and minerals and hydrocarbons to be extracted;
- 1.1.11 “**Guarantee**” means the amended and restated guarantee granted by the Company in favour of the Investor in respect of the obligations of New Lorus to the Investor dated as of the date hereof, as amended or supplemented from time to time;
- 1.1.12 “**Instrument**” means,
- 1.1.12.1 a bill, note or cheque within the meaning of the *Bills of Exchange Act* (Canada) or any other writing that evidences a right to the payment of Money and is of a type that in the ordinary course of business is transferred by delivery with any necessary endorsement or assignment, or
- 1.1.12.2 a letter of credit and an advice of credit if the letter or advice states that it must be surrendered upon claiming payment thereunder,
- but does not include a writing that constitutes part of Chattel Paper, a Document of Title or a Security;
- 1.1.13 “**Intangible**” means all personal property, including choses in action, that is not Goods, Chattel Paper, Documents of Title, Instruments, Money or Securities;
-

1.1.14 “**Inventory**” means Goods that are held by a Person for sale or lease or that have been leased or that are to be furnished or have been furnished under a contract of service, or that are raw materials, work in process or materials used or consumed in a business or profession;

1.1.15 “**Lien**” means any mortgage, pledge, charge, assignment, security interest, hypothec, lien or other encumbrance, including, without limitation, any agreement to give any of the foregoing, or any conditional sale or other title retention agreement;

1.1.16 “**Money**” means a medium of exchange authorized or adopted by the Parliament of Canada as part of the currency of Canada or by a foreign government as part of its currency;

1.1.17 “**Obligations**” means all of the obligations, liabilities and indebtedness of the Company to the Investor from time to time, whether present or future, absolute or contingent, liquidated or unliquidated, of whatsoever nature or kind, in any currency or otherwise, under or in respect of the Subscription Agreement, the Debentures, the Guarantee and this Agreement or any one or more of the foregoing as the same may be amended or supplemented from time to time;

1.1.18 “**Permitted Liens**” has the meaning given to such term in the Debentures;

1.1.19 “**Person**” means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;

1.1.20 “**PPSA**” means the Personal Property Security Act (Ontario) as amended from time to time and any Act substituted therefor and amendments thereto;

1.1.21 “**Proceeds**” means identifiable or traceable personal property in any form derived directly or indirectly from any dealing with property or the proceeds therefrom, and includes any payment representing indemnity or compensation for loss of or damage to property or proceeds therefrom ;

1.1.22 “**Receiver**” means any of a receiver, manager, receiver-manager and receiver and manager;

1.1.23 “**Security**” means a document that is,

1.1.23.1 issued in bearer, order or registered form,

1.1.23.2 of a type commonly dealt in upon securities exchanges or markets or commonly recognized in any area in which it is issued or dealt in as a medium for investment,

1.1.23.3 one of a class or series or by its terms is divisible into a class or series of documents, and

1.1.23.4 evidence of a share, participation or other interest in property or in an enterprise or is evidence of an obligation of the issuer,

and includes an uncertificated security within the meaning of Part VI (Investment Securities) of the Business Corporations Act (Ontario) ;

1.1.24 “**Security Interest**” has the meaning attributed to such term in section 2.1; and

1.1.25 “**Subscription Agreement**” means the subscription agreement among Lorus, the Investor and the Company dated as of October 6, 2004, as amended by the Assignment Agreement, as amended or supplemented from time to time.

1.2 Headings

The inclusion of headings in this Agreement is for convenience of reference only and shall not affect the construction or interpretation hereof.

1.3 References to Articles and Sections

Whenever in this Agreement a particular article, section or other portion thereof is referred to then, unless otherwise indicated, such reference pertains to the particular article, section or portion thereof contained herein.

1.4 Currency

Except where otherwise expressly provided, all amounts in this Agreement are stated and shall be paid in Canadian currency.

1.5 Gender, and Number

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa, words importing gender include all genders or the neuter, and words importing the neuter include all genders.

1.6 Invalidity of Provisions

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof. To the extent permitted by applicable law, the parties waive any provision of law which renders any provision of this Agreement invalid or unenforceable in any respect. The parties shall engage in good faith negotiations to replace any provision which is declared invalid or unenforceable with a valid and enforceable provision, the economic effect of which comes as close as possible to that of the invalid or unenforceable provision which it replaces.

1.7 Amendment, Waiver

No amendment or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

1.8 Governing Law, Attornment

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the Company hereby irrevocably attorns to the jurisdiction of the courts of Ontario.

**ARTICLE 2
SECURITY INTEREST**

2.1 Creation of Security Interest

Subject to sections 2.2 and 2.3 hereof, the Company hereby grants to the Investor, by way of security interest, mortgage, pledge, charge, assignment and hypothec a security interest (the "Security Interest") in the undertaking of the Company and in:

2.1.1 all Goods (including without limitation all parts, accessories, attachments, additions and Accessions thereto) whether or not such Goods are now or hereafter become fixtures, all Accounts, all Chattel Paper, all Documents of Title (whether negotiable or not), all Instruments, all Intangibles, all Money and all Securities, and all other personal property, if any, in each case now owned or hereafter acquired by or on behalf of the Company or in respect of which the Company now or hereafter has any right, title or interest (including, without limitation, such as may be returned to or repossessed by the Company);

2.1.2 all renewals of, accretions to and substitutions for any of the property described in section 2.1.1; and

2.1.3 all Proceeds (including Proceeds of Proceeds) of any of the property described in sections 2.1.1 and 2.1.2.

2.2 Exception for Last Day of Leases

The Security Interest granted hereby does not and shall not extend to, and Collateral shall not include, the last day of the term of any lease or sub-lease, oral or written, or any agreement therefor, now held or hereafter acquired by the Company, but upon the sale of the leasehold interest or any part thereof the Company shall stand possessed of such last day in trust to assign the same as the Investor shall direct.

2.3 Exception for Contractual Rights

The Security Interest granted hereby does not and shall not extend to, and Collateral shall not include, any agreement, right, franchise, license or permit (the "contractual rights") to

which the Company is a party or of which the Company has the benefit, to the extent that the creation of the Security Interest therein would constitute a breach of the terms of or permit any Person to terminate the contractual rights, but the Company shall hold its interest therein in trust for the benefit of the Investor and shall assign such contractual rights to the Investor forthwith upon obtaining the consent of the other party thereto. The Company agrees that it shall, upon the request of the Investor, use all commercially reasonable efforts to obtain any consent required to permit any contractual rights to be subjected to the Security Interest.

2.4 Attachment

The attachment of the Security Interest has not been postponed and the Security Interest shall attach to any particular Collateral as soon as the Company has rights in such Collateral.

ARTICLE 3 OBLIGATIONS SECURED

3.1 Obligations Secured

The Security Interest granted hereby secures payment, performance and satisfaction of the Obligations.

ARTICLE 4 CERTAIN AGREEMENTS OF THE COMPANY

4.1 Restrictions on Dealing with Collateral

The Company agrees that it shall not, without the prior consent in writing of the Investor:

4.1.1 sell, assign, transfer, exchange, lease, consign or otherwise dispose of any Goods or all or any material part of the Collateral as a whole, other than the sale, lease or consignment of Inventory in the ordinary course of business of the Company;

4.1.2 create, assume or suffer to exist any Lien upon the Collateral other than Permitted Liens and any Lien which the Investor has expressly consented to in writing.

No provision hereof shall be construed as a subordination or postponement of the Security Interest to or in favour of any other Lien, whether or not such Lien is permitted hereunder or otherwise.

4.2 Verification of Collateral

The Investor shall have the right at any time and from time to time to verify the existence and state of the Collateral in any manner the Investor may consider appropriate acting reasonably and the Company agrees to furnish all assistance and information and to perform all such acts as the Investor may reasonably request in connection therewith and for such purpose to grant to the Investor or its agents access to all places where Collateral may be located and to all premises occupied by the Company.

4.3 Expenses

The Company shall pay to the Investor on demand all of the Investor's reasonable costs, charges and expenses (including, without limitation, legal fees on a solicitor and his own client basis and Receiver's fees) in connection with the preparation, registration or amendment of this Agreement, the perfection or preservation of the Security Interest, the enforcement by any means of any of the provisions hereof or the exercise of any rights, powers or remedies hereunder, including, without limitation, all such costs, charges and expenses in connection with taking possession of Collateral, carrying on the Company's business, collecting the Company's accounts and taking custody of, preserving, repairing, processing, preparing for disposition and disposing of Collateral, together with interest on such costs, charges and expenses from the dates incurred to the date of payment at the Prime Rate plus 2%. For the purposes of the foregoing, "Prime Rate" means, for any day, the annual rate established by the Royal Bank of Canada and which it refers to as its "prime rate of interest".

4.4 Further Assurances

The Company shall at its own expense do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, mortgages, pledges, charges, assignments, security agreements, hypothecs and assurances (including instruments supplemental or ancillary hereto) and such financing statements as the Investor may from time to time request to better assure and perfect its security on the Collateral.

ARTICLE 5 SECURITIES

5.1 Securities

If Collateral at any time includes Securities, the Company authorizes the Investor to transfer the same or any part thereof into its own name or that of its nominee so that the Investor or its nominee may appear as the sole owner of record thereof; provided that, until the occurrence of an Event of Default, the Investor shall deliver promptly to the Company all notices or other communications received by the Investor or its nominee as such registered owner and, upon demand and receipt of payment of any necessary expenses thereof, shall grant to the Company or its nominee a proxy to vote and take all action with respect to such Securities. After the occurrence of an Event of Default which has not been waived in writing by the Investor, the Company waives all rights to receive any notices or communications received by the Investor or its nominee as such registered owner and agrees that no proxy granted by the Investor to the Company or its nominee as aforesaid shall thereafter be effective.

**ARTICLE 6
COLLECTION OF DEBTS**

6.1 Collection of Debts

After the occurrence of an Event of Default which has not been waived in writing by the Investor, the Investor may give notice of the Security Interest to any Person obligated to pay any debt or liability constituting Collateral and may also direct such Person to make all payments on account of any such debt or liability to the Investor. The Company acknowledges that any payments received by the Company from such Persons, whether before or after notification of the Security Interest to such Persons and whether before or after the occurrence of an Event of Default, shall be received and held by the Company in trust, or as agent in the Province of Quebec, for the Investor and shall be turned over to the Investor upon request.

**ARTICLE 7
REMEDIES**

7.1 Appointment of Receiver

7.1.1 Upon the occurrence of an Event of Default which has not been waived in writing by the Investor, the Investor may appoint by instrument any Person, whether an officer or an employee of the Investor or not, to be a Receiver of Collateral and may remove any Receiver so appointed and appoint another in place of such Receiver in the same manner. Any such Receiver shall be deemed the agent of the Company and not of the Investor for the purpose of (i) carrying on and managing the business and affairs of the Company, and (ii) establishing liability for all acts or omissions of the Receiver while acting as such, and the Investor shall not be in any way responsible for any acts or omissions on the part of any such Receiver, its officers, employees and agents. The Company hereby irrevocably authorizes the Investor to give instructions to the Receiver relating to the performance of its duties. The Company hereby irrevocably waives any right it may have now or in the future under any applicable law, including, without limitation, the PPSA, to make application to a court for the removal, replacement or discharge of the Receiver or for directions on any matter relating to the duties of the Receiver (unless such duties are not being performed in a commercially reasonable manner) or in respect of the Receiver's accounts or remuneration or in respect of any other matter.

7.1.2 Subject to the provisions of the instrument appointing it, any such Receiver shall have the power to take possession of Collateral, to preserve Collateral or its value in such manner as it considers appropriate, to carry on or concur in carrying on all or any part of the business of the Company and to sell, lease or otherwise dispose of or concur in selling, leasing or otherwise disposing of Collateral in such manner and on such terms as it considers to be commercially reasonable. To facilitate the foregoing powers, any such Receiver may enter upon, use and occupy all premises owned or occupied by the Company wherein Collateral may be situate to the exclusion of all others to the extent permitted by law, including the Company, maintain Collateral upon such premises, borrow money on a secured or unsecured basis, incur reasonable expenses in the exercise of the rights, powers and remedies set out in this Agreement and use Collateral directly in carrying on the Company's

business or as security for loans or advances to enable it to carry on the Company's business or otherwise, as such Receiver shall, in its discretion, determine. In addition, the Receiver shall have the following rights, powers and remedies:

7.1.2.1 to make payments to Persons having prior rights or Liens on properties on which the Company may hold a Lien and to Persons having prior rights or Liens on the Collateral; and

7.1.2.2 to demand, commence, continue or defend proceedings in the name of the Investor or of the Receiver or in the name of the Company for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral and to give effectual receipts and discharges therefor.

7.1.3 Except as may be otherwise directed by the Investor, all Proceeds received from time to time by such Receiver in carrying out its appointment shall be received in trust, or as agent in the Province of Quebec, for and paid over to the Investor. Every such Receiver may, in the discretion of the Investor, be vested with all or any of the rights and powers of the Investor.

7.2 Exercise of Remedies by Investor

Upon the occurrence of an Event of Default which has not been waived in writing by the Investor, the Investor may, either directly or through its agents or nominees, exercise all the powers and rights available to a Receiver by virtue of section 7.1. In addition to the rights granted in this Agreement and in any other agreement now or hereafter in effect between the Company and the Investor and in addition to any other rights the Investor may have at law or in equity or otherwise, the Investor shall have, both before and after the occurrence of an Event of Default, all rights and remedies of a secured party under the PPSA.

7.3 Possession of Collateral

The Company acknowledges that upon the occurrence of an Event of Default which has not been waived in writing by the Investor, the Investor or any Receiver appointed by it may take possession of Collateral wherever it may be located and by any method permitted by law and the Company agrees upon request from the Investor or any such Receiver to assemble and deliver possession of Collateral at such place or places as directed.

7.4 Remedies Not Exclusive

All rights, powers and remedies of the Investor under this Agreement may be exercised separately or in combination and shall be in addition to, and not in substitution for, any other security now or hereafter held by the Investor and any other rights, powers and remedies of the Investor however created or arising. No single or partial exercise by the Investor of any of the rights, powers and remedies under this Agreement or under any other security now or hereafter held by the Investor shall preclude any other and further exercise of any other right, power or remedy pursuant to this Agreement or any other security or at law, in equity or otherwise. The Investor shall at all times have the right to proceed against Collateral or any other security in such order and in

such manner as it shall determine without waiving any rights, powers or remedies which the Investor may have with respect to this Agreement or any other security or at law, in equity or otherwise. No delay or omission by the Investor in exercising any right, power or remedy hereunder or otherwise shall operate as a waiver thereof or of any other right, power or remedy.

7.5 Company Liable for Deficiency

The Company shall remain liable to the Investor for any deficiency after the proceeds of any sale, lease or disposition of Collateral are received by the Investor.

7.6 Exclusion of Liability of Investor and Receiver

The Investor shall not, nor shall any Receiver appointed by it, be liable for any failure to exercise its rights, powers or remedies arising hereunder or otherwise, including without limitation any failure to take possession of, collect, enforce, realize, sell, lease or otherwise dispose of, preserve or protect the Collateral, to carry on all or any part of the business of the Company relating to the Collateral or to take any steps or proceedings for any such purposes. Neither the Investor nor any Receiver appointed by it shall have any obligation to take any steps or proceedings to preserve rights against prior parties to or in respect of Collateral, including without limitation any Instrument, Chattel Paper or Securities, whether or not in the Investor's or the Receiver's possession, and neither the Investor nor any Receiver appointed by it shall be liable for failure to do so. Subject to the foregoing, the Investor shall use reasonable care in the custody and preservation of the Collateral in its possession.

7.7 Notice of Sale

Unless required by law, neither the Investor nor any Receiver appointed by it shall be required to give the Company any notice of any sale, lease or other disposition of the Collateral, the date, time and place of any public sale of the Collateral or the date after which any private disposition of the Collateral is to be made.

**ARTICLE 8
APPLICATION OF PROCEEDS**

8.1 Application of Proceeds

The Proceeds arising from the enforcement of the Security Interest as a result of the possession by the Investor or the Receiver of the Collateral or from any sale, lease or other disposition of, or realization of security on, the Collateral (except following acceptance of Collateral in satisfaction of the Obligations) shall be applied by the Investor or the Receiver in the following order, except to the extent otherwise required by law:

8.1.1 first, in payment of the Investor's reasonable costs, charges and expenses (including legal fees on a solicitor and his own client basis) incurred in the exercise of all or any of the rights, powers or remedies granted to it under this Agreement, and in payment of the reasonable remuneration of the Receiver, if any, and the reasonable costs, charges and expenses incurred by the Receiver, if any, in the exercise of all or any of the rights, powers or remedies granted under this Agreement;

- 8.1.2 second, in payment of amounts paid by the Investor or the Receiver pursuant to section 7.1.2.1;
- 8.1.3 third, in payment of all money borrowed or advanced by the Investor or the Receiver, if any, pursuant to the exercise of the rights, powers or remedies set out in this Agreement and any interest thereon;
- 8.1.4 fourth, in payment of the remainder of the Obligations in such order of application as the Investor may determine;
- 8.1.5 fifth, subject to sections 8.2 and 8.3, to any Person who has a security interest in Collateral that is subordinate to that of the Investor and whose interest,
- 8.1.5.1 was perfected by possession, the continuance of which was prevented by the Investor or the Receiver taking possession of Collateral, or
- 8.1.5.2 was, immediately before the sale, lease or other disposition by the Investor or the Receiver, perfected by registration;
- 8.1.6 sixth, subject to sections 8.2 and 8.3, to any other Person with an interest in such Proceeds who has delivered a written notice to the Investor or the Receiver of the interest before the distribution of such Proceeds; and
- 8.1.7 last, subject to sections 8.2 and 8.3, to the Company or any other Person who is known by the Investor or the Receiver to be an owner of the Collateral.

8.2 Proof of Interest

The Investor or the Receiver may require any Person mentioned in sections 8.1.5, 8.1.6 or 8.1.7 to furnish proof of that Person's interest, and unless the proof is furnished within ten days after demand by the Investor or the Receiver, the Investor or the Receiver need not pay over any portion of the Proceeds referred to therein to such Person.

8.3 Payment Into Court

Where there is a question as to who is entitled to receive payment under sections 8.1.5, 8.1.6 or 8.1.7, the Investor or the Receiver may pay the Proceeds referred to therein into court.

8.4 Monies Actually Received

The Company shall be entitled to be credited only with the actual Proceeds arising from the possession, sale, lease or other disposition of, or realization of security on, the Collateral when received by the Investor or the Receiver and such actual Proceeds shall mean all amounts received in cash by the Investor or the Receiver upon such possession, sale, lease or other disposition of, or realization of security on, the Collateral.

**ARTICLE 9
GENERAL**

9.1 Power of Attorney

The Company hereby appoints the Investor as the Company's attorney, with full power of substitution, in the name and on behalf of the Company, to execute, deliver and do all such acts, deeds, leases, documents, transfers, demands, conveyances, assignments, contracts, assurances, consents, financing statements and things as the Company has herein agreed to execute, deliver and do or as may be required by the Investor or any Receiver to give effect to this Agreement or in the exercise of any rights, powers or remedies hereby conferred on the Investor, and generally to use the name of the Company in the exercise of all or any of the rights, powers or remedies hereby conferred on the Investor. This appointment, coupled with an interest, shall not be revoked by the insolvency, bankruptcy, dissolution, liquidation or other termination of the existence of the Company or for any other reason.

9.2 Set-Off

The Investor may at any time and from time to time, without notice to the Company or to any other Person, set-off, appropriate and apply any and all deposits, general or special, matured or unmatured, held by or for the benefit of the Company with the Investor, and any other indebtedness and liability of the Investor to the Company, matured or unmatured, against and on account of the Obligations when due, in such order of application as the Investor may from time to time determine.

9.3 Dealings with Others

The Investor may grant extensions of time and other indulgences, take and give up security, accept compositions, make settlements, grant releases and discharges and otherwise deal with the Company, debtors of the Company, sureties and other Persons and with Collateral and other security as the Investor sees fit, without prejudice to the liability of the Company to the Investor or the rights, powers and remedies of the Investor under this Agreement.

9.4 No Obligation to Advance

Nothing herein contained shall in any way obligate the Investor to advance any funds, or otherwise make or continue to make any credit available, to the Company.

9.5 Perfection of Security

The Company authorizes the Investor to file such financing statements and other documents and do such acts, matters and things as the Investor may consider appropriate to perfect and continue the Security Interest, to protect and preserve the interest of the Investor in Collateral and to realize upon the Security Interest.

9.6 Communication

Any notice or other communication, including a demand or a direction, required or permitted to be given hereunder shall be in writing and shall be given by prepaid mail, by facsimile or other means of electronic communication or by hand-delivery as hereinafter provided. Any such notice or other communication, if mailed by prepaid mail at any time other than during or within three Business Days prior to a general discontinuance of postal service due to strike, lockout or otherwise, shall be deemed to have been received on the fourth Business Day after the post-marked date thereof, or if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the Business Day following the sending, or if delivered by hand shall be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to a senior employee of the addressee at such address with responsibility for matters to which the information relates and, in the case of the Investor, in the same department noted below. Notice of change of address shall also be governed by this section. In the event of a general discontinuance of postal service due to strike, lock-out or otherwise, notices or other communications shall be delivered by hand or sent by facsimile or other means of electronic communication and shall be deemed to have been received in accordance with the foregoing. Notice and other communications shall be addressed as follows:

(a) if to the Investor:

The Erin Mills Investment Corporation
7501 Keele Street
Suite 500
Concord, Ontario L4K 1Y2

Attention: Gerry C. Quinn
Telecopier number: (416) 736-8373

(b) if to the Company:

GeneSense Technologies Inc.
2 Meridian Road
Toronto, Ontario
M9W 4Z7

Attention: Aiping Young
Telecopier number: (416) 798-2200

Notwithstanding the foregoing, if the PPSA requires that a notice or other communication be given in a specified manner, then any such notice or communication shall be given in such manner.

9.7 Successors and Assigns

This Agreement shall be binding on the Company and its successors and shall enure to the benefit of the Investor and its successors and assigns. This Agreement shall be assignable by the Investor to an assignee of the Debentures, free of any set-off, counter-claim or equities between the Company and the Investor, and the Company shall not assert against an assignee of the Investor any claim or defence that the Company has against the Investor.

9.8 Copy Received

The Company hereby acknowledges receipt of a copy of this Agreement and a copy of the financing statement/verification statement registered under the PPSA in respect of the Security Interest.

IN WITNESS WHEREOF the Company has executed this Agreement on and as of the date first above written.

GENESENSE TECHNOLOGIES INC.

by: *"Aiping Young"*
Name:
Title:

by: _____
Name:
Title:

AMENDED AND RESTATED GUARANTEE AND INDEMNITY

THIS GUARANTEE AND INDEMNITY is made as of the 10th day of July, 2007,

BY: **GENESENSE TECHNOLOGIES INC.**, a corporation incorporated under the laws of Canada
(the "Guarantor")

IN FAVOUR OF: **THE ERIN MILLS INVESTMENT CORPORATION**, a corporation incorporated under the laws of the Province of Ontario
(the "Investor")

RECITALS:

- A. The Guarantor entered into a guarantee and indemnity dated as of October 6, 2004 in favour of the Investor, as amended by the assignment, novation and amendment agreement and consent dated as of May 1, 2007 between Lorus Therapeutics Inc. ("Lorus"), the Guarantor, New Lorus (as defined below) and the Investor, as amended or supplemented from time to time, (the "Assignment Agreement").
- B. Lorus entered into a corporate reorganization transaction completed by way of plan of arrangement (the "Arrangement") on July 10, 2007 under the *Canada Business Corporations Act* pursuant to which Lorus transferred substantially all of its assets, including its antisense patent assets, to a new corporate entity, 6650309 Canada Inc., which will carry on business under the name "Lorus Therapeutics Inc." ("New Lorus").
- C. As part of the arrangement New Lorus assumed all indebtedness of Lorus to the Investor.

NOW THEREFORE in consideration of the sum of \$1.00, the Investor making available certain financing on the terms set forth in the Subscription Agreement and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Guarantor agrees with the Investor as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

In this Agreement:

1.1.1 "**this Agreement**", "**hereto**", "**herein**", "**hereof**", "**hereby**", "**hereunder**" and any similar expressions refer to this Guarantee and Indemnity as it may be supplemented, amended or restated from time to time, and not to any particular article, section or other portion hereof;

1.1.2 "**Borrower**" means New Lorus and its successors;

- 1.1.3 “**Business Day**” means any day, other than Saturday, Sunday or any statutory holiday in the Province of Ontario;
- 1.1.4 “**Conversion Rate**” means, in relation to the conversion of one currency to another on a particular day, the rate of exchange quoted by the Investor as its spot rate of exchange for the conversion of one currency to the other at approximately noon (Toronto time) on such day;
- 1.1.5 “**Debentures**” means the convertible secured debentures issued by the Borrower to the Investor pursuant to the Subscription Agreement;
- 1.1.6 “**Guaranteed Obligations**” means all of the obligations, liabilities and indebtedness of the Borrower to the Investor from time to time, whether present or future, absolute or contingent, liquidated or unliquidated, as principal or as surety, alone or with others, of whatsoever nature or kind, in any currency, under or in respect of agreements or dealings between the Borrower and the Investor or agreements or dealings between the Investor and any Person by which the Investor may be or become in any manner whatsoever a creditor of the Borrower, including without limitation under the Subscription Agreement and the Debentures; the amount of Guaranteed Obligations will be determined without regard to any right of set-off or counterclaim by the Borrower against the Investor;
- 1.1.7 “**Indemnifiable Circumstance**” has the meaning attributed to such term in section 2.2;
- 1.1.8 “**Indemnified Amounts**” means the amounts to be paid by the Guarantor under section 2.2;
- 1.1.9 “**Person**” means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, government, parliament or legislature, or any regulatory authority, agency, commission, board or other entity however designated or constituted of any government, parliament or legislature, including without limitation any trustee, executor, administrator or other legal personal representative, liquidator, trustee in bankruptcy, receiver, receiver and manager, and agent;
- 1.1.10 “**Proceedings**” means any receivership, insolvency, proposal, bankruptcy, compromise, arrangement, reorganization, winding-up, dissolution or other similar proceedings, whether or not any of the foregoing is judicial in nature;
- 1.1.11 “**Security**” means:
- 1.1.11.1 any mortgage, charge, assignment, lien, security interest or other encumbrance;
 - 1.1.11.2 any guarantee; and
 - 1.1.11.3 any other arrangement designed to secure the payment or performance of any obligation, liability or indebtedness,

whether obtained from the Borrower, the Guarantor or any other Person and whether obtained before, at the time of or after the execution and delivery of this Agreement; and

1.1.12 “**Subscription Agreement**” means the subscription agreement among, *inter alia*, the Borrower, the Investor and the Guarantor dated as of October 6, 2004, as amended by the Assignment Agreement, as amended or supplemented from time to time.

1.2 Headings

The inclusion of headings in this Agreement is for convenience of reference only and shall not affect the construction or interpretation hereof.

1.3 References to Articles and Sections

Whenever in this Agreement a particular article, section or other portion thereof is referred to, such reference pertains to the particular article, section or portion thereof contained herein unless otherwise indicated.

1.4 References to Agreements and Enactments

Except as otherwise specifically provided:

1.4.1 reference in this Agreement to any contract, agreement or any other document shall be deemed to include (i) reference to the same as supplemented, amended or restated from time to time and (ii) reference to any contract, agreement or any other document which substitutes, in whole or in part, for the same from time to time; and

1.4.2 reference in this Agreement to any enactment, including, without limitation, any statute, law, by-law, regulation, rule, ordinance or order, shall be deemed to include reference to such enactment as re-enacted or amended from time to time and to any enactment in substitution therefor.

1.5 Currency

All amounts in this Agreement are stated and shall be paid in Canadian currency, provided that if Guaranteed Obligations are outstanding in a currency other than Canadian currency, the Investor, at its option, may require that such amounts be paid in such other currency, to the extent that the Guaranteed Obligations are outstanding in such other currency.

1.6 Gender and Number

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa, words importing gender include all genders or the neuter, and words importing the neuter include all genders.

1.7 Invalidity of Provisions

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof. To the extent permitted by applicable law, the parties waive any provision of law which renders any provision of this Agreement invalid or unenforceable in any respect.

1.8 No Conditions Precedent

This Agreement is effective upon execution and delivery of this Agreement by the Guarantor. Where in this Agreement or elsewhere more than one Person is named as Guarantor or as a guarantor, this Agreement will be effective against each Person named as a Guarantor upon execution and delivery of this Agreement by that Person even if one or more of the other Person(s) never sign this Agreement or any other guarantee. Such execution and delivery constitutes conclusive evidence that this Agreement was not delivered in escrow and that any conditions precedent to the effectiveness of this Agreement have been satisfied or waived by the Guarantor.

1.9 Entire Agreement

This Agreement constitutes the entire agreement between the parties pertaining to the subject matter of this Agreement. There are no warranties, conditions, or representations (including any that may be implied by statute) and there are no agreements in connection with such subject matter except as specifically set forth or referred to in this Agreement. No reliance is placed on any warranty, representation, opinion, advice or assertion of fact made either prior to, contemporaneous with, or after entering into this Agreement, or any amendment or supplement thereto, by any party to this Agreement or its directors, officers, employees or agents, to any other party to this Agreement or its directors, officers, employees or agents, except to the extent that the same has been reduced to writing and included as a term of this Agreement, and none of the parties to this Agreement has been induced to enter into this Agreement or any amendment or supplement by reason of any such warranty, representation, opinion, advice or assertion of fact. Accordingly, there shall be no liability, either in tort or in contract, assessed in relation to any such warranty, representation, opinion, advice or assertion of fact, except to the extent contemplated above.

1.10 Waiver, Amendment

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

1.11 Governing Law, Attornment

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the Guarantor hereby irrevocably attorns to the jurisdiction of the courts of Ontario.

**ARTICLE 2
GUARANTEE AND INDEMNITY**

2.1 Guarantee

The Guarantor unconditionally and irrevocably guarantees the due payment and performance of all Guaranteed Obligations including without limitation and for greater certainty the performance by the Borrower of all terms and conditions in the Subscription Agreement, the Debentures and all other agreements enforceable by the Investor to which the Borrower is a party or by which the Borrower or its property and assets are bound relating to the Guaranteed Obligations (whether or not involving parties other than the Borrower and the Investor).

2.2 Indemnity

The Guarantor shall indemnify and save the Investor harmless from and against any losses which may arise by virtue of any of the Guaranteed Obligations, the Subscription Agreement, the Debentures or any other agreement relating to any of the foregoing being or becoming for any reason whatsoever in whole or in part:

2.2.1 void, voidable, *ultra vires*, illegal, invalid, ineffective or otherwise unenforceable by the Investor in accordance with its terms, or

2.2.2 released or discharged by operation of law,

(all of the foregoing collectively, an "Indemnifiable Circumstance"). For greater certainty, these losses shall include without limitation the amount of all Guaranteed Obligations which would have been payable by the Borrower but for the existence of an Indemnifiable Circumstance.

2.3 Guarantor Liable as Principal

The Guarantor shall be liable to the Investor as principal debtor and not as surety only, and will not plead or assert to the contrary in any action taken by the Investor in enforcing this Agreement.

2.4 Continuing Guarantee and Indemnity

The guarantee and indemnity herein shall be a continuing guarantee of the payment and performance of all the Guaranteed Obligations and a continuing indemnity for the payment of all indemnified amounts.

2.5 Reinstatement

The guarantee and indemnity herein shall be reinstated if at any time any payment of any Guaranteed Obligations or Indemnified Amounts is rescinded or must otherwise be returned by the Investor upon any Proceedings of or affecting the Borrower or any other Person or for any other reason whatsoever, all as though such payment had not been made. The Investor may concede or compromise any claim that such payment ought to be rescinded or otherwise returned, without

discharging, diminishing or in any way affecting the liability of the Guarantor hereunder or the effect of this Section 2.5.

ARTICLE 3 ENFORCEMENT

3.1 Demand

Upon the default in the payment or performance of the Guaranteed Obligations or any part thereof, the Guarantor shall, on demand by the Investor, forthwith pay to the Investor, or perform or cause the performance of, all Guaranteed Obligations for which such demand was made. All Indemnified Amounts shall be payable by the Guarantor to the Investor forthwith upon demand by the Investor.

3.2 Right to Immediate Payment or Performance

The Investor shall not be bound to make any demand on or to seek or exhaust its recourse against the Borrower or any other Person or to realize on any Security held by it in respect of the Guaranteed Obligations before being entitled to demand payment from or performance by the Guarantor and enforce its rights under this Agreement, and the Guarantor hereby renounces all benefits of discussion and division.

3.3 Interest

All amounts payable by the Guarantor under this Agreement shall bear interest payable by the Guarantor from the date of demand for payment both before and after default and judgment at the Prime Rate plus 2%. For the purposes of the foregoing, "Prime Rate" means, for any day, the annual rate established by the Royal Bank of Canada and which it refers to as its "prime rate of interest".

3.4 Investor's Statement

The statement in writing of the Investor as to the amount of the Guaranteed Obligations, the Indemnified Amounts and all other amounts payable hereunder shall be binding upon the Guarantor and conclusive against it in the absence of manifest error.

ARTICLE 4 APPROPRIATION AND SET-OFF BY INVESTOR

4.1 Appropriation

The Investor shall be at liberty, without in any way prejudicing or affecting its rights hereunder, to appropriate or to refrain from appropriating any payment made to, or monies received by, the Investor from:

- 4.1.1 the Borrower or others to any portion of the Guaranteed Obligations; and

4.1.2 the Guarantor to any portion of the Guaranteed Obligations, the Indemnified Amounts, all other amounts payable hereunder and any , liabilities and indebtedness of the Guarantor to the Investor,

in each case whether then due or to become due, and whether absolute or contingent, and from time to time to revoke or alter any such appropriation, all as the Investor may from time to time in its sole discretion determine.

4.2 Set-Off by Investor

The Investor may, without demand or notice of any kind, set off, appropriate and apply any and all deposits, general or special, matured or unmatured, in any currency, held by or for the benefit of the Guarantor with the Investor, and any other indebtedness and liability of the Investor to the Guarantor, matured or unmatured, in any currency, against and on account of the Guarantor's liability hereunder in any currency upon the Investor making demand for payment hereunder when the Guaranteed Obligations are due, in such order of application as the Investor may from time to time elect. If the amounts being set-off are not payable in the same currency, the Investor may convert either amount into the other currency at the Conversion Rate on the day as of which that set-off is being effected, or if that day is not a Business Day then on the Business Day preceding the day as of which that set-off is being effected.

ARTICLE 5 POSTPONEMENT OF DEBTS AND GUARANTOR NOT TO COMPETE

5.1 Postponement of Debts

All liabilities and indebtedness, present and future, absolute or contingent, of the Borrower to the Guarantor, and of any other guarantor or Person liable directly or as surety for the Guaranteed Obligations or any part thereof, are hereby assigned to the Investor and postponed to the payment and performance in full of the Guaranteed Obligations, the Indemnified Amounts and all other amounts payable hereunder and all monies received by the Guarantor in respect thereof shall be received in trust for the Investor or, in the Province of Quebec, as agent for the Investor and forthwith upon receipt shall be paid over to the Investor, the whole without in any way lessening or limiting the liability of the Guarantor under this Agreement. Such assignment and postponement is independent of the guarantee and indemnity herein and shall remain in full force and effect until the Investor has received payment and performance in full of all Guaranteed Obligations, all Indemnified Amounts and all other amounts payable hereunder, notwithstanding that the liability of the Guarantor under the guarantee and indemnity herein may have been discharged or terminated.

5.2 Guarantor Not to Compete

The Guarantor shall not:

5.2.1 take any Security or dividend from the Borrower or any other guarantor or Person liable directly or as surety for all or any part of the Guaranteed Obligations;

5.2.2 claim, rank, prove or vote as a creditor in any Proceedings of or affecting the Borrower or any other guarantor or Person liable directly or as surety for all or any part of the Guaranteed Obligations;

5.2.3 assert any right (including without limitation any right of set-off, right of indemnity or reimbursement or right of contribution, and any right whether or not the right arises under any Security) against the Borrower or any other guarantor or Person liable directly or as surety for all or any part of the Guaranteed Obligations; or

5.2.4 have any right of subrogation to the Investor or be otherwise entitled to claim the benefit of any Security now or hereafter held by the Investor in respect of the Guaranteed Obligations;

until the Investor has received payment and performance in full of all Guaranteed Obligations, all Indemnified Amounts and all other amounts payable hereunder. Any money, Security, or other personal or real property taken or received by the Guarantor in contravention of this section 5.2 or as requested by the Investor under section 5.2.2 above shall be held by the Guarantor in trust for the Investor or, in the Province of Quebec, as agent for the Investor and shall be delivered or transferred to the Investor on demand.

ARTICLE 6 PROTECTION OF INVESTOR

6.1 Defects in Creation of Guaranteed Obligations

The Investor shall not be concerned to see or enquire into the capacity and powers of the Borrower or its directors, officers, employees or agents acting or purporting to act on its behalf. All obligations, liabilities and indebtedness purporting to be incurred by the Borrower in favour of the Investor shall be deemed to form part of the Guaranteed Obligations even though the Borrower may not be a legal entity or the incurring of such obligations, liabilities or indebtedness was irregularly, fraudulently, defectively or informally effected or in excess of the capacity or powers of the Borrower or its directors, officers, employees or agents and notwithstanding that the Investor has specific notice of the capacity and powers of the Borrower or its directors, officers, employees or agents.

6.2 Liability Absolute

The liability of the Guarantor hereunder shall be absolute and unconditional and shall not be discharged, diminished or in any way affected by:

6.2.1 any amalgamation, merger, consolidation or reorganization of the Borrower, the Guarantor or the Investor or any continuation of the Borrower, the Guarantor or the Investor from the statute under which it now or hereafter exists to another statute whether under the laws of the same jurisdiction or another jurisdiction;

6.2.2 any change in the name, business, objects, capital structure, ownership, constating documents, by-laws or resolutions of the Borrower, the Guarantor or the Investor, including without limitation any transaction (whether by way of transfer, sale or otherwise) whereby all or any part of the undertaking, property and assets of the Borrower, the Guarantor or the Investor becomes the property of any other Person;

6.2.3 any Proceedings of or affecting the Borrower, the Guarantor, the Investor or any other Person and any court orders made or action taken by the Borrower, the Guarantor, the Investor or any other Person under or in connection with those Proceedings, whether or not those Proceedings or orders or that action results in any of the matters described in section 6.3.1.1 to 6.3.1.8 occurring with or without the consent of the Investor;

6.2.4 the current existence or subsequent occurrence of an Indemnifiable Circumstance;

6.2.5 any defence, counterclaim or right of set-off available to the Borrower;

6.2.6 the fact that the Borrower ceases to be liable for any reason whatsoever to the Investor in respect of all or any part of the Guaranteed Obligations (otherwise than by reason of the payment of those Guaranteed Obligations to the Investor) or the fact that a court determines that the liability of the Borrower to the Investor in respect of all or any part of the Guaranteed Obligations has been satisfied or is deemed to have been satisfied (except in circumstances where payment of those Guaranteed Obligations has been received by the Investor); and

6.2.7 any other circumstance which might otherwise constitute in whole or in part a defence available to, or a discharge of, the Guarantor, the Borrower or any other Person in respect of the Guaranteed Obligations or the liability of the Guarantor.

6.3 Dealings by Investor

6.3.1 The Investor may from time to time in its absolute discretion, without discharging, diminishing or in any way affecting the liability of the Guarantor hereunder:

6.3.1.1 advance any funds to the Borrower or make or continue to make any financing available to the Borrower constituting or relating to Guaranteed Obligations;

6.3.1.2 permit any increase or decrease, however significant, of the Guaranteed Obligations or otherwise supplement, amend, restate or substitute, in whole or in part, however significant, the Guaranteed Obligations, the Subscription Agreement, the Debentures or any other agreement relating to any of the foregoing or, in whole or in part, terminate the availability of any financing relating to, or demand repayment of any Guaranteed Obligations;

6.3.1.3 enforce or take action under or abstain from enforcing or taking action under the Subscription Agreement, the Debentures or any other agreement relating to any of the foregoing;

- 6.3.1.4 receive, give up, subordinate, release or discharge any Security; supplement, amend, restate, substitute, renew, abstain from renewing, perfect or abstain from perfecting or maintaining the perfection of any Security; enforce, take action under or realize in any manner or abstain from enforcing, taking action under or realizing any Security; deal with or abstain from dealing with all or any part of the undertaking, property and assets covered by any Security or allow or abstain from allowing the Borrower or other Persons to deal with all or any part of such undertaking, property and assets;
- 6.3.1.5 renew all or any part of the Guaranteed Obligations or grant extensions of time or any other indulgences to the Borrower or to any other guarantor or other Person liable directly or as surety for all or any part of the Guaranteed Obligations;
- 6.3.1.6 accept or make any compositions or arrangements with or release, discharge or otherwise deal with or abstain from dealing with the Borrower or any other guarantor or other Person liable directly or as surety for all or any part of the Guaranteed Obligations;
- 6.3.1.7 in whole or in part prove or abstain from proving a claim of the Investor in any Proceedings of or affecting the Borrower or any other Person; and
- 6.3.1.8 agree with the Borrower, any other guarantor or any other Person to do anything described in sections 6.3.1.1 to 6.3.1.7 above;

whether or not any of the matters described in sections 6.3.1.1 to 6.3.1.8 above occur alone or in connection with one or more other such matters.

6.3.2 In no case will the liability of the Guarantor hereunder be discharged, diminished or in any way affected as a result of:

- 6.3.2.1 any negligence of the Investor or its agents whatsoever, including without limitation any negligence in respect of, or in the course of, any matter described in sections 6.3.1.1 to 6.3.1.7 above; or
- 6.3.2.2 any default under, or breach by the Investor or its agents of (i) the Subscription Agreement, the Debenture, or any other agreement including without limitation any Security, (ii) any applicable law, or (iii) any other obligation or duty binding the Investor or its agents.

No loss of or in respect of any Security for the Guaranteed Obligations or any part thereof, whether occasioned through the fault of the Investor or otherwise, shall discharge, diminish or in any way affect the liability of the Guarantor hereunder. Neither the Investor nor any of its directors, officers, employees or agents or any receiver or receiver-manager appointed by it or by a court shall have any liability, whether in tort, contract or otherwise, for any neglect or any act taken or omitted to be taken by the Investor or by any of such other Persons in connection with the

Guaranteed Obligations or any part thereof or any Security for the Guaranteed Obligations or any part thereof including without limitation any of the matters described above in this section 6.3. The Guarantor waives all rights it may have as surety, whether at law, in equity or otherwise, that are inconsistent with the provisions of this Agreement.

6.4 Waiver of Notice

The Guarantor expressly waives any right to receive notice of the existence or creation of all or any of the Guaranteed Obligations and presentment, demand, notice of dishonour, protest, notice of any of the events or circumstances described in sections 6.1, 6.2 and 6.3 and all other notices whatsoever in respect of the Guaranteed Obligations except to the extent, if at all, that the *Personal Property Security Act* (Ontario) or other applicable law requires notice to be given to the Guarantor in connection with any disposition of collateral by or on behalf of the Investor. The Guarantor hereby acknowledges communication to it of the terms of the Subscription Agreement, the Debenture and all agreements and other documents referred to in the Subscription Agreement and the Debenture and of all the provisions therein contained and consents to and approves the same.

6.5 Expanded Interpretation

Notwithstanding anything else in this Agreement, where the Investor allows the Borrower or any other Person to deal with any property and assets covered by any Security on terms which stipulate that the Security continues to cover such property and assets after such dealing, each reference to the Borrower in Article 6 shall be deemed to include the Person acquiring an interest in such property and assets.

**ARTICLE 7
MISCELLANEOUS**

7.1 Payment of Costs and Expenses

The Guarantor shall pay to the Investor on demand all costs and expenses of the Investor, its officers, employees and agents and any receiver or receiver-manager appointed by it or by a court in connection with this Agreement, including, without limitation:

- 7.1.1 any actual or proposed amendment or modification hereof or any waiver hereunder and all instruments supplemental or ancillary thereto;
- 7.1.2 obtaining advice as to the Investor's rights and responsibilities under this Agreement; and
- 7.1.3 the defence, establishment, protection or enforcement of any of the rights or remedies of the Investor under this Agreement including, without limitation, all costs and expenses of establishing the validity and enforceability of, or of collection of amounts owing under, this Agreement;

and further including, without limitation, all of the fees, expenses and disbursements of the Investor's lawyers, on a solicitor and his own client basis, incurred in connection therewith and all sales or value-added taxes payable by the Investor (whether refundable or not) on all such costs and expenses.

7.2 No Set-off By Guarantor

All amounts payable by the Guarantor under this Agreement shall be paid without set-off or counterclaim and without any deduction or withholding whatsoever unless and to the extent that the Guarantor shall be prohibited by law from doing so, in which case the Guarantor shall pay to the Investor such additional amount as shall be necessary to ensure that the Investor receives the full amount it would have received if no such deduction or withholding had been made.

7.3 No Waiver

No delay on the part of the Investor in the exercise of any right, power or remedy hereunder or otherwise shall operate as a waiver thereof, and no single or partial exercise by the Investor of any right, power or remedy shall preclude other or further exercise thereof or the exercise of any other right, power or remedy. No action of the Investor permitted hereunder shall in any way impair or affect its rights, powers or remedies under this Agreement.

7.4 Additional Security

This Agreement shall be in addition to, and shall not be in any way prejudiced by nor shall this Agreement prejudice:

- 7.4.1 any other Security now or hereafter held by the Investor, and
- 7.4.2 the endorsement by the Guarantor of any notes or other documents,

and the Investor's rights under this Agreement shall not be merged in any such other Security or endorsement.

7.5 Assignment by Investor

The Investor may sell, assign or transfer all or any of the Guaranteed Obligations, and in such event each and every immediate and successive assignee, transferee or holder of all or any of the Guaranteed Obligations, shall have, in respect of the rights or obligations sold, assigned or transferred to it, the full benefit hereof to the same extent as if it were an original party hereto and to the Guaranteed Obligations or the part thereof so sold, assigned or transferred, without regard to any set-off, counterclaim or equities between the Borrower and the Investor or the Guarantor and the Investor.

7.6 Communication

Any demand, notice or other communication required or permitted to be given hereunder shall be in writing and shall be given by prepaid mail, by facsimile or other means of electronic communication or by hand-delivery as hereinafter provided. Any such demand, notice or

other communication, if mailed by prepaid mail at any time other than during or within three Business Days prior to a general discontinuance of postal service due to strike, lockout or otherwise, shall be deemed to have been received on the fourth Business Day after the post-marked date thereof, or if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the Business Day following the sending, or if delivered by hand shall be deemed to have been received at the time it is delivered to the individual designated below as the person to whose attention demands, notices and other communications are to be given or to the addressee at the applicable address noted below to the attention of the individual designated below. Notice of change of address shall also be governed by this section. In the event of a general discontinuance of postal service due to strike, lock-out or otherwise, demands, notices or other communications shall be delivered by hand or sent by facsimile or other means of electronic communication and shall be deemed to have been received in accordance with the foregoing. Demands, notices and other communications shall be addressed as follows:

(a) if to the Investor:

The Erin Mills Investment Corporation
7501 Keele Street
Suite 500
Concord, Ontario L4K 1Y2

Attention: Gerry C. Quinn
Telecopier number: (416) 736-8373

(b) if to the Guarantor:

GeneSense Technologies Inc.
2 Meridian Road
Toronto, Ontario
M9W 4Z7

Attention: Aiping Young
Telecopier number: (416) 798-2200

7.7 Successors and Assigns

This Agreement shall be binding upon the Guarantor and its successors and enure to the benefit of the Investor and its successors and assigns.

7.8 Copy Received

The Guarantor acknowledges receipt of a copy of this Agreement.

IN WITNESS WHEREOF the Guarantor has executed this Agreement as of the date first above written.

GENESENSE TECHNOLOGIES INC.

by: "Aiping Young"
Name: _____
Title:

by: _____
Name:
Title:

INDEMNIFICATION AGREEMENT

BETWEEN

4325231 CANADA INC.

AND

LORUS THERAPEUTICS INC.

AND

NUCHEM PHARMACEUTICALS INC.

AND

GENESENSE TECHNOLOGIES INC.

MADE AS OF

July 10, 2007

McCarthy Tétrault LLP

INDEMNIFICATION AGREEMENT

THIS AGREEMENT is made as of July 10, 2007.

BETWEEN:

4325231 CANADA INC., a corporation incorporated under the laws of Canada ("**Old Lorus**")

- and -

LORUS THERAPEUTICS INC., a corporation incorporated under the laws of Canada ("**New Lorus**")

- and -

NUCHEM PHARMACEUTICALS INC., a corporation incorporated under the laws of the Province of Ontario ("**NuChem**")

- and -

GENESENSE TECHNOLOGIES INC., a corporation incorporated under the laws of Canada ("**GeneSense**")

WHEREAS Old Lorus, New Lorus and certain others have entered into the Arrangement Agreement, pursuant to which Old Lorus agreed to reorganize its business (the "**Arrangement**") by way of a plan of arrangement pursuant to section 192 of the *Canada Business Corporations Act* in accordance with the terms set forth therein;

AND WHEREAS pursuant to the Arrangement, all of the Assets have been transferred to a Lorus Party pursuant to the Transfer Transactions;

AND WHEREAS in connection with the Arrangement, Old Lorus will change its name to its incorporation number, 4325231 Canada Inc., and New Lorus will change its name to Lorus Therapeutics Inc.;

AND WHEREAS without limiting any of the provisions of this Agreement and subject to the terms and conditions set forth herein, the Lorus Parties have agreed to indemnify the Indemnified Parties from and against all Losses incurred by any of the Indemnified Parties which arise out of any matter or thing occurring (a) prior to, at or after the Effective Time and directly or indirectly relating to any of the Assets or the conduct of the business of Old Lorus or any Lorus Party prior to the Effective Time (b) 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, and (c) prior to or at the Effective Time and directly or indirectly relating to any of the activities of Old Lorus or the Arrangement;

NOW THEREFORE in consideration of the premises and the respective covenants and agreements contained herein and other good and valuable consideration (the receipt of which is hereby acknowledged), the parties hereto covenant and agree as follows:

**SECTION 1
INTERPRETATION**

1.1 Definitions

In this Agreement, including the recitals hereto, unless there is something in the subject matter or context inconsistent therewith, the following terms will have the following meanings, respectively:

- 1.1.1 “**Agreement**” means this Indemnification Agreement;
- 1.1.2 “**Arrangement**” has the meaning ascribed thereto in the recitals of this Agreement.
- 1.1.3 “**Arrangement Agreement**” means the arrangement agreement dated as of May 1, 2007 between Old Lorus, NuChem, GeneSense, New Lorus, Pinnacle International Lands, Inc. and 6707157 Canada Inc.;
- 1.1.4 “**Assets**” means, collectively, the assets and the Subsidiary Shares transferred, directly or indirectly, by Old Lorus to the Lorus Parties, as applicable, pursuant to the Transfer Transactions (including any assets held in trust by Old Lorus for a Lorus Party);
- 1.1.5 “**Authorized Authority**” means, in relation to any Claim, any (i) federal, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign, (ii) court, agency, authority, commission, instrumentality, regulatory body or other entity exercising executive, legislative, judicial, taxing, regulation or administrative powers or functions of or pertaining to government, (iii) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, and (iv) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including securities exchanges, in each case having jurisdiction over such Claim;
- 1.1.6 “**Business Day**” means a day other than a Saturday, Sunday or other day when banks in Toronto, Ontario or Vancouver, British Columbia, are not generally open for business;
- 1.1.7 “**Canadian Securities Regulatory Authorities**” has the meaning ascribed to such term in National Instrument 14-101 - Definitions, of the Canadian Securities Administrators, as such instrument may be amended or supplemented from time to time, or any similar instrument, rule or regulation hereafter adopted by any of the Canadian Securities Regulatory Authorities having substantially the same effect as such instrument;

- 1.1.8 “**Claims**” means any claim, demand, action, suit, arbitration, mediation, proceeding, investigation or regulatory inquiry with respect to any given matter for which an Indemnified Party is entitled to be indemnified hereunder;
- 1.1.9 “**Claim Notice**” has the meaning ascribed thereto in Section 4.1.1;
- 1.1.10 “**Confidential Information**” has the meaning ascribed thereto in Section 7.1;
- 1.1.11 “**Counsel**” means legal counsel representing a Party hereunder with respect to any Claim;
- 1.1.12 “**Damage Recoveries**” has the meaning ascribed thereto in Section 2.2;
- 1.1.13 “**Demand**” has the meaning ascribed thereto in Section 2.3.1;
- 1.1.14 “**Determination Date**” means the day upon which a Final Determination occurs;
- 1.1.15 “**Effective Date**” means the date of execution of this Agreement;
- 1.1.16 “**Effective Time**” means 12:01 a.m. (Toronto time) on the Effective Date;
- 1.1.17 “**Final Determination**” means, with respect to any Claim, the point in time when such Claim has been finally resolved for all purposes, which will be deemed to occur upon the happening of the earlier of the following events:
- (i) a binding Settlement Agreement being reached among all parties to the Claim and the filing of all applicable discontinuances and fully executed releases in form and content acceptable to New Lorus and the Indemnified Parties, acting reasonably and without undue delay, delivered amongst such parties as appropriate, and the satisfaction by or on behalf of New Lorus of any obligations it may have pertaining to such agreement or agreements; and
 - (ii) the final resolution of each of the actions comprising the Claim by the Authorized Authority, including the completion of any appeal proceedings relating to a Judgment or the expiry of all applicable appeal periods, if any, and the satisfaction by or on behalf of New Lorus of any obligations it may have pertaining to such Claim;
- 1.1.18 “**GeneSense**” means GeneSense Technologies Inc., a corporation existing under the laws of Canada;
- 1.1.19 “**Governmental Authority**” means any federal, provincial, territorial, state, local or foreign government or any department, agency, board, tribunal (judicial, quasi-judicial, administrative, quasi-administrative or arbitral) or authority thereof or other political subdivision thereof and any Person exercising executive, legislative, judicial, regulatory or administrative

functions of, or pertaining thereto or the operation thereof, including the Canadian Securities Regulatory Authorities (or any successor to any of them), the United States Securities and Exchange Commission (or any successor entity), the Toronto Stock Exchange and the American Stock Exchange;

- 1.1.20 “**Indemnified Parties**” means Old Lorus and each of its directors, officers and employees in respect of any matter for which an Indemnified Party is entitled to be indemnified hereunder and “**Indemnified Party**” means any one of the Indemnified Parties;
- 1.1.21 “**Indemnity**” means the indemnity given by New Lorus as set forth in this Agreement;
- 1.1.22 “**Judgment**” means an order, decree, assessment or other form of decision of an Authorized Authority which is in effect and has not been appealed or, if appealed, the effect of the order has not been stayed pending the outcome of such appeal;
- 1.1.23 “**Legal Expenses**” means all reasonable legal fees, disbursements, court or hearing costs and related expenses, disbursements or costs pertaining to the assessment or conduct of a Claim, including costs associated with preliminary or interlocutory proceedings, hearings, interrogations, discoveries, trials, appeals, negotiations, settlements and comprises;
- 1.1.24 “**Liabilities**” means, with respect to any Person, any liability, commitment or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, and whether or not the same is required to be accrued on the financial statements of such Person;
- 1.1.25 “**Lorus Parties**” means, collectively, New Lorus, NuChem and GeneSense and “**Lorus Party**” means any of them;
- 1.1.26 “**Losses**” means all damages, losses, expenses (including fines and penalties), third party costs and Legal Expenses which are suffered, sustained, paid or incurred in relation to any Claim or Liability;
- 1.1.27 “**Nominee**” means any nominee which New Lorus appoints to perform the duties and responsibilities of New Lorus hereunder, if any such nominee is so appointed;
- 1.1.28 “**NuChem**” means NuChem Pharmaceuticals Inc., a corporation existing under the laws of the Province of Ontario;
- 1.1.29 “**Parties**” means, collectively, Old Lorus and New Lorus;

- 1.1.30 “**Person**” includes any individual, firm, partnership, joint venture, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Governmental Authority, syndicate or other entity, whether or not having legal status;
- 1.1.31 “**Power**” has the meaning ascribed thereto in Section 3.1.1;
- 1.1.32 “**Settlement Agreement**” means any agreement entered into by a Party which requires or will require an Indemnified Party (i) to pay any amounts to, or for the benefit of, any other party to proceedings relating to Claims, or (ii) to otherwise incur Losses;
- 1.1.33 “**Solvency Event**” means the occurrence of one or more of the following events:
- (i) if a decree or order of a court of competent jurisdiction is entered adjudging a Lorus Party a bankrupt or insolvent or approving as properly filed a petition seeking the winding-up of a Lorus Party under the *Companies’ Creditors Arrangement Act* (Canada), the *Bankruptcy and Insolvency Act* (Canada) or the *Winding Up Act* (Canada) or any other bankruptcy, insolvency or analogous laws or issuing sequestration or process of execution against, or against any substantial part of the assets of a Lorus Party or ordering the winding up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 10 days; or
 - (ii) if a Lorus Party becomes insolvent, makes any assignment in bankruptcy or makes any other assignment for the benefit of creditors, makes any proposal under the *Bankruptcy and Insolvency Act* (Canada) or any comparable law, seeks relief under the *Companies’ Creditors Arrangement Act* (Canada), the *Winding Up Act* (Canada) or any other bankruptcy, insolvency or analogous law, is adjudged bankrupt, files a petition or proposal to take advantage of any act of insolvency, consents to or acquiesces in the appointment of a trustee, receiver, receiver and manager, interim receiver, custodian, sequestrator or other Person with similar powers of itself or of all or any substantial portion of its assets, or files a petition or otherwise commences any proceeding seeking any reorganization, arrangement, composition or readjustment under any applicable bankruptcy, insolvency, moratorium, reorganization or other similar law affecting creditors’ rights or consents to, or acquiesces in, the filing of such a petition;
- 1.1.34 “**Subsidiary Shares**” means, collectively, all of the shares in the capital of (a) GeneSense and (b) NuChem transferred, directly or indirectly, by Old Lorus to New Lorus pursuant to a Transfer Transaction;

- 1.1.35 “**Tax**” means all federal, provincial, territorial, state, county, municipal, local or foreign taxes, duties, imposts, levies, assessments, tariffs and other charges imposed, assessed or collected by a Governmental Authority, including any gross income, net income, gross receipts, business, royalty, capital, capital gains, goods and services, value added, severance, stamp, franchise, occupation, premium, capital stock, sales and use, real property, land transfer, personal property, *ad valorem*, transfer, license, profits, windfall profits, environmental, payroll, employment, employer health, pension plan, excise, severance, stamp, occupation, or premium tax, all withholdings on amounts paid to or by the Vendor, all employment insurance premiums, Canada, Ontario and any other pension plan contributions or premiums; and
- 1.1.36 “**Transfer Transactions**” means, collectively, the transactions contemplated by (a) the asset transfer agreement dated the date hereof between Old Lorus and GeneSense in connection with, among other things, certain assets of Old Lorus, (b) the asset transfer agreement dated the date hereof between GeneSense and New Lorus in connection with, among other things, certain patent assets of GeneSense, (c) the asset transfer agreement dated the date hereof between Old Lorus and GeneSense in connection with, among other things, the Virulizun patent assets and small molecule technology of Old Lorus, (d) the asset transfer agreement dated the date hereof between Old Lorus and GeneSense in connection with, among other things, the prepaid expenses and receivables of Old Lorus, (e) the share purchase agreement dated the date hereof between Old Lorus and New Lorus with respect to the shares of GeneSense, and (f) the share purchase agreement dated the date hereof between Old Lorus and New Lorus with respect to the shares of NuChem.

1.2 Extended Meanings

In this Agreement words importing the singular number only include the plural and vice versa, words importing any gender include all genders and words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities. The term “including” means “including without limiting the generality of the foregoing”.

1.3 Interpretation

The division of this Agreement into Articles, Sections, subsections and paragraphs and the insertion of headings are for convenience of reference only and will not affect in any way the meaning or interpretation of this Agreement. The Parties acknowledge that their respective legal counsel have reviewed and participated in settling the terms of this Agreement, and the Parties hereby agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting Party will not be applicable in the interpretation of this Agreement.

1.4 Article References

Unless the contrary intention appears, references in this Agreement to an Article, Section, subsection, paragraph or Schedule by number or letter or both refer to the specified Article, Section, subsection, paragraph or Schedule, respectively, bearing that designation in this Agreement.

1.5 Date for any Action

In the event that any date by or on which any action is required or permitted to be taken hereunder by any of the Parties is not a Business Day in the place where the action is required or permitted to be taken, such action will be required to be taken by or on the next succeeding day which is a Business Day.

1.6 Governing Law

This Agreement will be governed by and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Each Party hereto hereby irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario in respect of all matters arising under or in relation to this Agreement.

SECTION 2 INDEMNITY

2.1 Covenant to Indemnify

On and subject to the terms and conditions hereof, the Lorus Parties hereby jointly and severally covenant and agree that:

- 2.1.1 each Lorus Party has acquired the Assets in accordance with the terms of the Transfer Transactions, on an “as is, where is” basis and subject to any and all liens, encumbrances, agreements, commitments, rights of others and Liabilities pertaining thereto howsoever and whensoever arising;
- 2.1.2 as of the Effective Time, the Lorus Parties will, on a joint and several basis, assume and be liable for all Liabilities of Old Lorus for, and indemnify, defend and save harmless the Indemnified Parties from and against all Losses suffered, sustained, paid or incurred by any of the Indemnified Parties, howsoever or by whomsoever caused which arise out of, any matter or thing occurring (a) prior to, at or after the Effective Time and directly or indirectly relating to any of the Assets (including Losses for income, sales, excise and other Taxes arising in connection with the transfer of any Asset from Old Lorus, NuChem or GeneSense to any Lorus Party) or the conduct of the business of Old Lorus or any Lorus Party prior to the Effective Time, (b) prior to, at or after the Effective Time as a direct or indirect result of any and all interests, rights, obligations, indemnities, guarantees (whether financial or for performance), Liabilities and agreements of any kind whatsoever and whether matured or not, direct or indirect, contingent or absolute, held or provided by,

or by which, Old Lorus or any Lorus Party is or was, prior to the Effective Time, bound relating to the Assets, including any guarantees, sureties, indemnities, letters of credit or any other obligations that are created, whether by law or contract or any other way howsoever, and whether as a party or as agent, guarantor, surety or indemnitor or otherwise, provided that the foregoing will not extend to any guarantees, sureties, indemnities, letters of credit or other Liabilities of Old Lorus given, or relating to events occurring, after the Effective Time, and (c) prior to or at the Effective Time and directly or indirectly relating to any of the activities of Old Lorus, any Lorus Party, including the activities of any director, officer, employee or other representative of Old Lorus, or the Arrangement, including any payments, obligations or Liabilities directly or indirectly relating to any exercise of the Dissent Rights (as defined in the Arrangement Agreement) or similar rights in connection with the Arrangement, except:

- (i) in respect of Tax for any taxation year in any way caused by, arising directly or indirectly or in any manner whatsoever from any event, or fact occurring after the Effective Time, but for greater certainty excluding any Taxes payable as a result of the Arrangement;
- (ii) in respect of Tax where, after the Effective Time, Old Lorus has waived in writing any time limitation, statutory or otherwise for any taxation period ending prior to the Effective Time; or
- (iii) in respect of Tax where, after the Effective Time, Old Lorus requests or knowingly initiates a review, ruling or opinion of any matter or takes any other action that affects the tax position of Old Lorus for any taxation period ending prior to the Effective Time;

2.1.3 a Lorus Party will not be entitled to exercise and each Lorus Party hereby waives any rights or remedies such Lorus Party may now or in the future have against any of the Indemnified Parties in respect of Liabilities assumed hereunder, including the right to name any of the Indemnified Parties as a third party to any action commenced by any third party against such Lorus Party; and

2.1.4 without limiting the generality of any agreement referred to in the definition of "Transfer Transactions" or any conveyance or other document entered into in connection therewith, each Lorus Party will see to the timely performance of all obligations relating to the Assets transferred to such Lorus Party which, in the absence of this Agreement, would be the responsibility of Old Lorus. The Lorus Parties will be liable, on a joint and several basis, to Old Lorus for and will, in addition, indemnify Old Lorus from and against, all Losses suffered, sustained, paid or incurred by Old Lorus should a Lorus Party fail in the timely performance of such obligations.

2.2 Costs and Damages

If, following a Final Determination, the parties to Claims made by them and applicable to any matter for which Indemnified Parties are entitled to be indemnified hereunder, other than any of the Indemnified Parties, are unsuccessful in whole or in part with respect of such Claims such that damages and costs (“**Damage Recoveries**”) are awarded to any of the Indemnified Parties, New Lorus will, provided that it is not then in default of its obligations hereunder relating to such Claims, be entitled to receive, and such Indemnified Parties will forthwith upon receipt thereof pay, or direct the payment by the payor of, all such Damage Recoveries to New Lorus, provided that the Indemnified Parties will be entitled to retain such amounts as may be necessary to compensate for the Taxes paid by any of the Indemnified Parties, if any, resulting from the receipt by it of such Damage Recoveries or to satisfy other Losses suffered, sustained, paid or incurred by any of the Indemnified Parties pursuant to Claims if not already paid for by New Lorus.

2.3 Payments under Indemnity

- 2.3.1 Subject to the terms and conditions hereof and upon any of the Indemnified Parties sustaining, paying, incurring or suffering any Loss for which such Indemnified Parties are entitled to be indemnified hereunder, each of such Indemnified Parties may provide a demand for payment to any or all of the Lorus Parties (a “**Demand**”), which Demand will specify such Loss sustained, paid, incurred or suffered or to be incurred or suffered by the Indemnified Party and will be accompanied by copies of any relevant Judgments, documents, invoices or instruments (along with reasonable evidence of such payment or the requirement for payment substantiating the amount and nature of the Loss incurred or to be incurred).
- 2.3.2 Subject to the terms and conditions hereof, the Lorus Parties will make the required payment or relieve the Indemnified Parties of the obligation to incur or suffer the relevant Loss within (i) 30 days after receipt of a Demand, or (ii) within such lesser period as may be required in connection with a Judgment.

2.4 Termination of Power

- 2.4.1 Subject to Section 2.4.2, an Indemnified Party may, upon written notice given to New Lorus, terminate the Power if (i) any Lorus Party has defaulted in the payment of a proper Demand on the basis contemplated in Section 2.3 without full and complete remedy of such default within 30 days of receipt of written notice of such default, or (ii) Old Lorus shall have determined, in its sole discretion, that New Lorus shall not have conducted the proceedings relating to any Claim in a competent, timely or professional manner.
- 2.4.2 It will be a condition precedent to the right of the Indemnified Parties to elect to terminate the Power under this Section 2.4, that the Indemnified Parties will have unequivocally undertaken in writing to thereafter assume and conduct proceedings relating to any Claim in a competent and professional manner.

Notwithstanding any such termination of the Power, the Indemnity will continue to apply, including the obligation to indemnify for all Losses, provided however:

- (i) New Lorus will be entitled to access to all written information relating to any such Claim on the same basis as the right granted to the Indemnified Parties pursuant to Section 3.7.1 and will have the right to monitor and be informed of (each on a without prejudice basis) all material steps and proceedings relating to any Claim on the same basis as the right granted to the Indemnified Parties pursuant to Section 3.7.2; and
- (ii) the Indemnified Parties may not, without the prior written consent of New Lorus, acting reasonably and without delay, settle any Claim or consent to entry of a Judgment with respect thereto which imposes any indemnification obligations upon New Lorus.

2.4.3 In the event that the Indemnified Parties elect to terminate the Power other than pursuant to the terms of this section 2.4, the Indemnified Parties will not be entitled any longer to indemnification pursuant to the terms of this Agreement.

2.5 Payment of Interest on Unpaid Amounts

Any amount owed to an Indemnified Party by a Lorus Party hereunder remaining unpaid will bear interest calculated daily and compounded monthly from the day such amount was due until the day such amount was paid, at the rate of 1% per annum above the annual rate of interest designated by the main branch in Toronto of Royal Bank of Canada as its reference rate for Canadian dollar commercial loans made in Canada and which is announced by such bank as its prime rate.

SECTION 3 POWER OF ATTORNEY

3.1 Granting of Power

3.1.1 On and subject to the terms and conditions hereof, each of the Indemnified Parties, hereby irrevocably appoints New Lorus and New Lorus's Nominee (if so appointed by New Lorus), as its sole and exclusive attorney and agent, such parties to be entitled to act independently or jointly, for any and all purposes associated with all Claims with full and absolute power (herein the "**Power**") to negotiate, settle, compromise, litigate or otherwise deal with the same in New Lorus's absolute and unfettered discretion through to a Final Determination, which Power will, without limiting the generality of the foregoing, include the following:

- (i) the right to retain or confirm the retention of Counsel;

- (ii) subject to section 3.3.3(i), the right to instruct Counsel from time to time as may be necessary or prudent;
- (iii) the power to settle or compromise a Claim, but only if such settlement or compromise (A) includes an unconditional release of such Indemnified Party from all Liability on such Claim and (B) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any Indemnified Party;
- (iv) subject to clause (iii) of this Section 3.1.1, the power and authority to direct all Authorized Authority proceedings on behalf of the Indemnified Parties and make all decisions pertaining thereto;
- (v) subject to Section 3.4.2, the power to commence and conduct in the name of the Indemnified Parties any counterclaims or claim over against third Persons in respect of or related to any Claim and the subject matter thereof; and
- (vi) to pay on behalf of the Indemnified Parties, any amounts required to effect or assist in ultimately effecting a Final Determination.

3.1.2 Subject to Sections 2.4, 3.3 and 3.4, the Power will be irrevocable by the Indemnified Parties until a Final Determination has occurred, but may be exercised by New Lorus or New Lorus's Nominee through any individuals designated by New Lorus or New Lorus's Nominee for that purpose from time to time, which individuals and New Lorus's Nominee may, subject to the provisions hereof, be changed by New Lorus or on its behalf at the sole discretion of New Lorus. New Lorus will, within a reasonable time, notify the Indemnified Parties in writing as to appointments or changes in New Lorus's Nominee or the designated individuals of New Lorus or New Lorus's Nominees, if any, who will be authorized to exercise the Power on behalf of New Lorus.

3.2 Acceptance of Appointment

By its execution hereof, New Lorus hereby accepts, on behalf of itself and its Nominee, if any, its appointment or their respective appointments as attorney for and on behalf of the Indemnified Parties on the basis set forth herein.

3.3 Conduct of Claims and Precondition of Power

3.3.1 New Lorus will, within 15 days of receiving a Claim Notice, or such shorter period as may be appropriate in the circumstances to avoid any prejudice or increased potential for Losses, in respect of any Claim, give notice in writing to the applicable Indemnified Party that:

- (i) New Lorus has irrevocably and unconditionally confirmed that the entirety of such Claim is one for which the Indemnified Party is entitled to be fully indemnified under the terms of this Agreement;
- (ii) New Lorus is unable, without further inquiry, to determine whether such Claim is one for which the Indemnified Party is entitled to be indemnified, in whole or in part, under the terms of this Agreement;
- (iii) the Claim is one for which the Indemnified Party is not entitled to indemnification under the terms of this Agreement; or
- (iv) the Claim is one for which the Indemnified Party is only entitled to indemnification, in part, under the terms of this Agreement.

3.3.2 It will be a precondition to the continuance and exercise of the Power, or any part thereof, in respect of any Claim, that (i) New Lorus will have irrevocably and unconditionally confirmed, within such 15 day period, that the entirety of such Claim is one for which the Indemnified Party is entitled to be fully indemnified under the terms of this Agreement, and (ii) a Solvency Event shall not have occurred.

3.3.3 In the event that New Lorus gives notice under Section 3.3.1(ii), until such time that New Lorus is able to determine whether or not the entirety of the Claim is one for which the Indemnified Party is entitled to be fully indemnified under the terms of this Agreement, the Indemnified Party will be possessed of the power to negotiate, settle, compromise, litigate or otherwise deal with such Claim, provided however that:

- (i) the Indemnified Party and New Lorus will mutually agree in writing upon the retention of Counsel, unless the Indemnified Party has received an opinion of counsel to the effect that the interests of the Indemnified Party and New Lorus with respect to such Claim are sufficiently adverse to prohibit the representation by the same counsel of both parties under applicable ethical rules, in which event the Indemnified Party will have the unilateral right to employ separate Counsel and the fees and expenses of such Counsel will be included as part of any Losses incurred, sustained and suffered by such Indemnified Party;
- (ii) the Indemnified Party will not, without New Lorus's prior written consent (such consent not to be unreasonably withheld or delayed), settle, compromise, consent to the entry of any Judgment in or otherwise seek to terminate such Claim;
- (iii) the Indemnified Party will provide, on a timely basis, New Lorus with (A) access to all information relating to such Claim and the status thereof; and (B) copies of reports and other correspondence it receives

from Counsel on the status of such Claim and the results of any settlement discussions that have occurred or are scheduled;

- (iv) the Indemnified Party will consult with New Lorus on strategic decisions relating to such Claim; and
- (v) should it wish to do so, New Lorus will be entitled to monitor at its own expense the conduct of such Claim with a view to being informed as to all material aspects thereof, including the Indemnified Party's strategy and its estimates of liability exposure and relevant timing.

Notwithstanding the foregoing but subject to Section 2.4, this Section 3.3 and Section 3.4, New Lorus reserves the right, at any time, to exercise the Power by providing an irrevocable and unconditional confirmation that the Claim is one for which the Indemnified Party is entitled to be fully indemnified under the terms of this Agreement, in which event the Indemnified Party will take all commercially reasonable steps to transition the Claim to New Lorus in a manner that will not prejudice such Claim or New Lorus's ability to defend such Claim.

3.3.4 In the event that New Lorus gives notice, at any time, that a Claim is one for which an Indemnified Party is not entitled to indemnification under this Agreement, the Indemnified Party will, without prejudice to any other rights or remedies of the Indemnified Party in respect of such Claim or in respect of a Lorus Party hereunder, have full and absolute power to negotiate, settle, compromise, litigate or otherwise deal with the Claim in the Indemnified Party's absolute and unfettered discretion through to a Final Determination, which powers will include those powers enumerated in Section 3.1.1.

3.3.5 In the event that New Lorus gives notice, at any time, that a Claim is one for which an Indemnified Party is entitled, under the terms of this Agreement, to indemnification, in part, and the Indemnified Party agrees that it is only entitled to indemnification in part, the Parties hereby agree to use commercially reasonable efforts to, depending upon the nature of the Claim, either (i) conduct a joint defence in respect of the Claim, or (ii) bifurcate the Claim, in which event New Lorus would exercise the Power only in respect of that part of the Claim that is subject to indemnification.

3.4 Limitation on Power

Neither the Power nor any other provision of this Agreement will:

- 3.4.1 obligate an Indemnified Party to incur, pay, suffer or sustain any Losses which it would not be entitled to recover from New Lorus pursuant to Section 2.1 and only if such amounts would be recoverable in full by the Indemnified Party from New Lorus, or if such obligation does or may reasonably be expected to exceed such amounts, New Lorus will have provided to the Indemnified Party reasonable assurances as to payment of such excess

amounts by documentation in form and substance satisfactory to the Indemnified Party, acting reasonably, and will have received prior written consent of the Indemnified Party, such consent not to be unreasonably withheld or delayed, prior to exercising the Power; or

- 3.4.2 entitle or permit New Lorus to commence or conduct in the name of Indemnified Parties any counter claims or claims pursuant to Section 3.1.1(v), unless such claims relate specifically to the subject matter of the Claim, without the prior written consent of the Indemnified Parties, such consent not to be unreasonably withheld or delayed.

3.5 Contract Directly

During the currency of the Power, New Lorus will contract directly for the services of Counsel, experts or other necessary or desirable Persons (as determined by New Lorus, subject to Section 3.6, in its sole and absolute discretion) for any and all purposes associated with the Claims and New Lorus further agrees that it will not retain any such Persons unless it will have confirmed to these Persons, with a copy to the Indemnified Parties, that such Persons will have recourse solely to New Lorus and will have no Claims for compensation, costs or otherwise against any of the Indemnified Parties.

3.6 Diligence

New Lorus covenants to exercise its powers hereunder in a competent and professional manner.

3.7 Access to Information and Participation by the Indemnified Parties

- 3.7.1 The Indemnified Parties will be entitled to access to all material or relevant written information relating to any Claim and the status thereof. New Lorus agrees to provide, on a timely basis, the Indemnified Parties, with copies of reports it receives from Counsel or New Lorus's Nominee on the status of any Claim and the results of, or strategy relating to any Claim or any settlement discussions that have occurred or are scheduled. Notwithstanding the foregoing, if the Indemnified Parties breach, in any material respect, the provisions of Section 7, then, without limiting any other rights or remedies New Lorus may have against the Indemnified Parties or other Persons breaching such obligations, the rights provided for in this Section 3.7.1 will be suspended.
- 3.7.2 Should it wish to do so, an Indemnified Party will, in addition to Section 3.7.1, be entitled to monitor at its own expense the conduct of any Claim with a view to being informed as to all material aspects thereof, including New Lorus's strategy and its estimates of New Lorus's exposure and relevant timing.

- 3.7.3 New Lorus will forthwith notify the Indemnified Party upon becoming aware of any Losses which are embodied in or arise as a result of or pursuant to any Judgment or Settlement Agreement.

SECTION 4

OBLIGATIONS OF INDEMNIFIED PARTIES

4.1 Specific Obligations

As and from the Effective Date to and including a Determination Date, the Indemnified Parties hereby covenant and agree with New Lorus to:

- 4.1.1 promptly provide New Lorus with written notice of any outstanding, pending or threatened Claim which the Indemnified Parties become aware of (a “**Claim Notice**”); provided that the failure to promptly provide such notice will not relieve New Lorus or any obligation to indemnify such Indemnified Party, except to the extent such failure prejudices New Lorus;
- 4.1.2 in relation to any identified Claim for which New Lorus is exercising the Power pursuant to Section 3.1 and in accordance with the terms of this Agreement, take such commercially reasonable action as New Lorus may request and take no action that has the effect of prejudicing such Claim or New Lorus’s ability to defend such Claim, except where such Indemnified Party is permitted by the terms hereof to act in a contrary manner;
- 4.1.3 comply in all material respects with the provisions of this Agreement and with the reasonable written instructions given by New Lorus, its Nominee, or Counsel in relation to any of the Powers granted to New Lorus pursuant to Section 3.1. Such written requests will be given to the Indemnified Parties detailing the requested action. The Indemnified Parties will in all cases be afforded a reasonable period in which to comply with the request having due regard to the terms here of and to applicable prescription periods or offers which expire within a specified time in respect of which New Lorus has provided the Indemnified Parties with as much notice as is reasonably practicable in the circumstances; and
- 4.1.4 provide to New Lorus and its authorized representatives access at all reasonable times to, and the right to photocopy, the files and records of the Indemnified Parties pertaining or relating to any Claims, or the subject matter thereof.

SECTION 5

COOPERATION

5.1 Cooperation

- 5.1.1 Subject to Section 3.4.1 and Section 3.1.1(iii), in connection with the negotiation of any Settlement Agreement and any documents contemplated

thereunder, the Indemnified Parties will cooperate on a commercially reasonable basis with New Lorus and execute and deliver the same in accordance with the reasonable requests and requirements of New Lorus with respect thereto; provided that, if, in the sole discretion of an Indemnified Party, a Settlement Agreement obligates such Indemnified Party to incur any Losses for which they are not indemnified, such Indemnified Party will not be required to sign the Settlement Agreement and will not, on that basis, be in breach of their obligations under this Section 5.1.

- 5.1.2 The obligations of the Indemnified Parties under Section 5.1.1 will be applicable only when New Lorus is exercising the Power in accordance with Section 3.1.

SECTION 6

REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties

Each of the Parties represents and warrants to each other as of the date hereof that:

- 6.1.1 it is duly incorporated and validly subsisting under the laws of its incorporating jurisdiction and has the corporate power and authority and the legal right to enter into this Agreement and fully complete and perform its obligations hereunder;
- 6.1.2 this Agreement has been duly and properly executed and delivered by it and constitutes legal, valid and binding obligations of it enforceable against it in accordance with its terms; and
- 6.1.3 it has the requisite power, capacity and authority to enter into this Agreement.

SECTION 7

CONFIDENTIALITY OBLIGATIONS

7.1 Confidentiality Obligations

All documents, information, discussions and disclosures made hereunder or pursuant hereto (the “**Confidential Information**”) will at all times be held in the strictest confidence by each of the Parties, will not be used for any purpose whatsoever other than those specifically relating to this Agreement and Claims and will not be disclosed for any purpose whatsoever to any third Person, including the other parties to Claims adverse in interest to an Indemnified Party, or its Counsel, provided, however, that such restrictions on disclosure will not apply if:

- 7.1.1 the disclosure of the Confidential Information is required by applicable law;
- 7.1.2 the Confidential information is or becomes publicly available other than through a breach of the provisions hereof by any Person to whom disclosure is made in accordance herewith; or

7.1.3 the written consent of the Parties is given prior to any such use or disclosure being made.

SECTION 8 GENERAL

8.1 Breach by Indemnified Party

A breach by an Indemnified Party of any of the terms and provisions of this Agreement or a default on the part of an Indemnified Party in the performance of its obligations hereunder will not in any way reduce or discharge any Lorus Party from any obligations that it may have to indemnify the Indemnified Parties in respect of a Claim nor will it terminate this Agreement or the obligations of any Lorus Party hereunder, provided however that the Indemnity will not apply to any Losses incurred as a direct result of such breach or default.

8.2 Notices

Any notice, request, consent, waiver, direction or other communication required or permitted to be given under this Agreement will be in writing and may be given by delivering same or sending same by facsimile transmission or by delivery addressed to the Party to which the notice is to be given at its address for service herein or to such other address as may be indicated in writing from time to time. Any such notice, request, consent, waiver, direction or other communication will, if delivered, be presumed to have been given and received on the day on which it was delivered to the address provided herein (if that day is a Business Day, and if it is not, then on the next succeeding Business Day), and if sent by facsimile transmission will be deemed to have been given and received at the time of receipt unless actually received after 4:00 p.m. at the point of delivery, in which case it will be deemed to have been given and received on the next Business Day.

8.2.1 If to Old Lorus prior to the Effective Time:

2 Meridian Road
Toronto, ON M9W 4Z7

Attention: Director of Finance
Fax: (416) 798-2200

8.2.2 If to Old Lorus after the Effective Time

c/o Pinnacle International Realty Group, Inc.
Suite 300 - 911 Homer Street
Vancouver, BC V6B 2W6

Attention: Vice President Finance
Fax: (604) 688-7749

8.2.3 If to New Lorus:

2 Meridian Road
Toronto, ON M9W 4Z7

Attention: Director of Finance
Fax: (416) 798-2200

8.3 Time of Essence

Time will be of the essence in this Agreement.

8.4 Entire Agreement

Except for the various collateral agreements entered into in connection with the Arrangement, this Agreement constitutes the entire agreement between the Parties and cancels and supersedes all prior agreements (including the letter agreement dated April 4, 2006) and understandings between the Parties with respect to the subject matter hereof.

8.5 Assignment

Except as expressly permitted by the terms hereof, neither this Agreement nor any of the rights, interests or obligations hereunder will be assigned by any Party without the prior written consent of the other Party.

8.6 Binding Effect

This Agreement will be binding upon and will enure to the benefit of the parties hereto and their respective successors and permitted assigns.

8.7 Further Assurances

Each Party hereto will, from time to time, and at all times hereafter, at the request of the other Parties hereto, but without further consideration, do all such further acts and execute and deliver all such further documents and instruments as are reasonably required in order to fully perform and carry out the terms and intent hereof.

8.8 Severability

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

8.9 Counterpart Execution

This Agreement may be executed in any number of counterparts and each such counterpart will be deemed to be an original instrument but all such counterparts together will constitute one agreement.

[The remainder of this page has been intentionally left blank.]

IN WITNESS WHEREOF the parties have executed this Agreement.

4325231 CANADA INC.

by: "Aiping Young"
Name:
Title:

LORUS THERAPEUTICS INC.

by: "Aiping Young"
Name:
Title:

NUCHEM PHARMACEUTICALS INC.

by: "Aiping Young"
Name:
Title:

GENESENSE TECHNOLOGIES INC.

by: "Aiping Young"
Name:
Title: