

(formerly Stem Cell Therapeutics Corp.)

Management's Discussion and Analysis
For the three and nine months ended September 30, 2014 and 2013

Dated: November 12, 2014

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The following management's discussion and analysis ("**MD&A**") is prepared as of November 12, 2014 for Trillium Therapeutics Inc. (formerly Stem Cell Therapeutics Corp.) (the "**Company**" or "**Trillium**") for the three and nine months ended September 30, 2014 and 2013, and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2014 and 2013, and the audited consolidated financial statements and accompanying notes for the years ended December 31, 2013 and 2012, which have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). Our IFRS accounting policies are set out in note 3 of the consolidated financial statements for the years ended December 31, 2013 and 2012.

On June 1, 2014, the Company amalgamated with its wholly-owned subsidiary Trillium Therapeutics Inc. ("**Trillium Privateco**") and changed its name to Trillium Therapeutics Inc.

Additional information regarding us is available on SEDAR at http://www.sedar.com and on the Company's website at http://www.trilliumtherapeutics.com.

Certain statements included in this MD&A constitute forward-looking statements. All statements contained herein that are not clearly historical in nature are forward-looking, and the words "anticipate", "believe", "expect", "estimate", "may", "will", "could", "leading", "intend", "contemplate", "shall" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- our expected future loss and accumulated deficit levels;
- our projected financial position and estimated cash burn rate;
- our expectations about the timing of achieving milestones and the cost of our development programs;
- our observations and expectations regarding the binding profile of SIRPaFc with red blood cells compared to anti-CD47 monoclonal antibodies and proprietary CD47-blocking agents and the potential benefits to patients;
- our requirements for, and the ability to obtain, future funding on favorable terms or at all;
- our projections for the SIRPaFc development plan and progress of each of our products and technologies, particularly with respect to the timely and successful completion of studies and trials and availability of results from such studies and trials;
- our expectations about our products' safety and efficacy;
- our expectations regarding our ability to arrange for the manufacturing of our products and technologies;
- our expectations regarding the progress, and the successful and timely completion, of the various stages of the regulatory clearance process;
- our ability to secure strategic partnerships with larger pharmaceutical and biotechnology companies;
- our strategy to acquire and develop new products and technologies and to enhance the capabilities of existing products and technologies;
- our plans to market, sell and distribute our products and technologies;

- our expectations regarding the acceptance of our products and technologies by the market;
- our ability to retain and access competent staff, management, and expert advisers;
- our expectations with respect to existing and future corporate alliances and licensing transactions with third parties, and the receipt and timing of any payments to be made by us or to us in respect of such arrangements; and
- our strategy with respect to the protection of our intellectual property.

All forward-looking statements are based on our beliefs and assumptions based on information available at the time the assumption was made. These forward-looking statements are not based on historical facts but rather on management's expectations regarding future activities, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections or other forward-looking statements will not occur. Factors which could cause future outcomes to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- the effect of continuing operating losses on our ability to obtain, on satisfactory terms, or at all, the capital required to maintain us as a going concern;
- the ability to obtain sufficient and suitable financing to support operations, preclinical development, clinical trials, and commercialization of products;
- the risks associated with the development of novel compounds at early stages of development in our intellectual property portfolio;
- the risks of reliance on third-parties for the planning, conduct and monitoring of clinical trials and for the manufacture of drug product;
- the risks associated with the development of our product candidates including the demonstration of efficacy and safety;
- the risks related to clinical trials including potential delays, cost overruns and the failure to demonstrate efficacy and safety;
- the risks of delays and inability to complete clinical trials due to difficulties enrolling patients;
- risks associated with our inability to successfully develop companion diagnostics for our development candidates;
- delays or negative outcomes from the regulatory approval process;
- our ability to successfully compete in our targeted markets;
- our ability to attract and retain key personnel, collaborators and advisors;
- risks relating to the increase in operating costs from expanding existing programs, acquisition of additional development programs and increased staff;
- risk of negative results of clinical trials or adverse safety events by us or others related to our product candidates;
- the potential for product liability claims;

- our ability to achieve our forecasted milestones and timelines on schedule;
- financial risks related to the fluctuation of foreign currency rates and expenses denominated in foreign currencies;
- our ability to adequately protect proprietary information and technology from competitors;
- risks related to changes in patent laws and their interpretations;
- our ability to source and maintain licenses from third-party owners;
- the risk of patent-related litigation and the ability to protect trade secrets; and
- the risk of reduced liquidity and market value decline resulting from a potential share consolidation,

all as further and more fully described under the heading "Risk Factors" in this MD&A and "Risks and Uncertainties" in our Annual Information Form.

Although the forward looking statements contained in this MD&A are based upon what we believe to be reasonable assumptions, we cannot assure readers that actual results will be consistent with these forward looking statements. We undertake no obligation to update any forward looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as may be required by applicable securities laws.

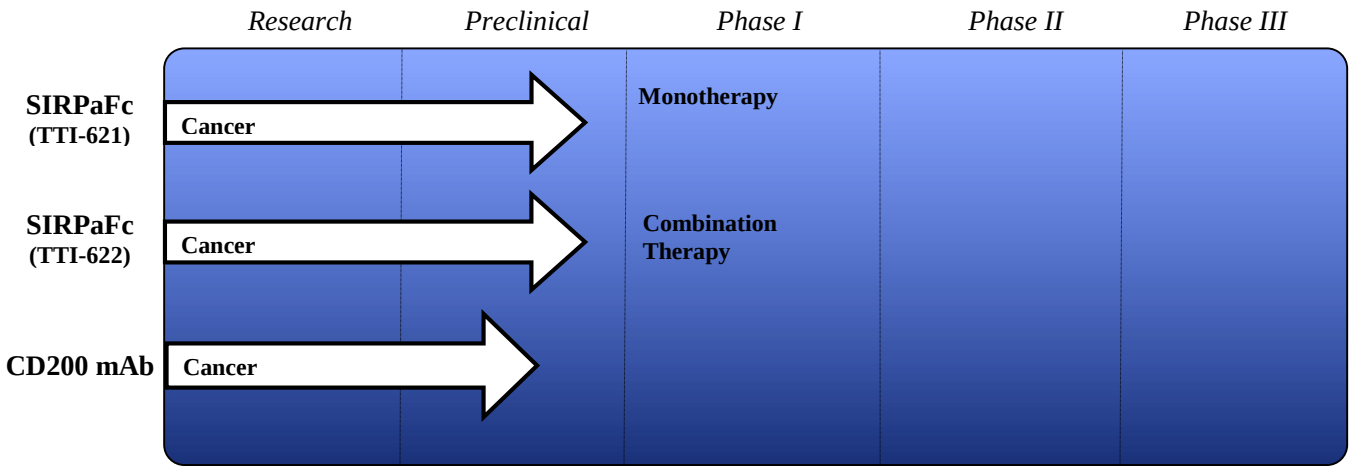
Where "we", "us", "our", "Trillium", or the "Company" is used, it is referring to Trillium Therapeutics Inc. (formerly Stem Cell Therapeutics Corp.) and its wholly-owned subsidiaries Trillium Therapeutics Inc. ("Trillium Privateco") acquired effective April 9, 2013 and amalgamated with Stem Cell Therapeutics Corp on June 1, 2014, and Stem Cell Therapeutics Inc. until its dissolution on September 17, 2014, unless otherwise indicated.

All amounts are in Canadian dollars, unless otherwise indicated.

Overview

We are an immuno-oncology company developing novel and innovative cancer therapies. Our current primary objective is to advance our preclinical SIRPaFc program into a first-in-human phase I trial in patients with Acute Myeloid Leukemia ("**AML**"), expected to begin in the second half of 2015. We are also investigating SIRPaFc in other oncology indications, including other hematological and solid tumors, as well as combinations with other immunotherapies, in preclinical models.

Our current product pipeline is as follows:



Our lead program is SIRPaFc, a novel antibody-like protein that blocks the activity of CD47, a molecule whose expression is increased on cancer cells to evade the host immune system. SIRPaFc is initially being developed as a treatment for AML. However, recent data suggest that CD47 is highly expressed by a variety of liquid and solid tumors, and CD47 inhibition has demonstrated efficacy in numerous models in which human tumor cells are transplanted into mice. Furthermore, CD47 blockade has been reported to synergize with several marketed anticancer antibodies (Rituxan®, Herceptin®, Campath® (Weiskopf et al. 2013 Science)), raising the possibility that SIRPaFc can be used as a combination therapy. SIRPaFc may therefore have potential in the treatment of other malignancies, in addition to AML. We are currently developing two distinct SIRPaFc proteins, TTI-621 and TTI-622. Both consist of two regions: SIRPa and an Fc fragment. The Fc fragment is a sequence derived from human antibodies that can bind other proteins and trigger the activation of various immune system cells. TTI-621 and TTI-622 share the same SIRPa region but possess different Fc fragments, and thus bind to CD47 similarly but differ in their ability to induce Fc-mediated immune activation. One is anticipated to be used as monotherapy following conventional chemotherapy, and the other used in combination with other targeted anti-cancer treatments, such as monoclonal antibodies.

SIRPaFc entered formal Investigational New Drug ("**IND**")-enabling studies in 2013 and is being developed initially as a treatment for AML, with potential applications in other blood cell and solid tumors. Contract manufacturing for two SIRPaFc fusion proteins has been secured to generate product for formal toxicology studies and a subsequent phase I clinical study.

Our CD200 monoclonal antibody ("**mAb**") program also targets a key pathway that tumor cells use to evade the host immune system. The CD200 mAb is a fully human monoclonal antibody

that blocks the activity of CD200, a molecule that delivers a suppressive signal to the immune system and is highly expressed by many blood cell-derived and solid tumors. We have conducted in vitro and in vivo preclinical oncology-focused studies with our CD200 mAb but not the more formal, controlled and documented studies that are performed specifically to support an IND application for a phase I trial. This asset is ready to enter a formal IND-enabling preclinical program which we anticipate will only commence once a development partner has been secured. In the meantime we will continue to accommodate requests for research material from third parties in order to further our understanding of the CD200 pathway and how to best exploit it for the treatment of cancer.

Corporate Highlights for the period January 1, 2013 to the date of this MD&A

Trillium Merger

On April 9, 2013, we completed a merger with Trillium Privateco, a private biopharmaceutical company specializing in immune regulation and the development of cancer therapeutics. We applied the acquisition method of accounting for the business combination and the losses were consolidated from the acquisition date. The consideration was allocated to the underlying assets acquired and liabilities assumed based upon their fair values at the date of acquisition. The purchase price allocation was assigned to the net identifiable assets based on their estimated fair values. The final purchase price allocation was as follows:

Fair value of consideration paid	
Cash	$1,200,000
2,779,180 common shares and 3,300,000 units	1,380,836
Subtotal	2,580,836
Assets acquired	
Cash and marketable securities	$1,182,714
Amounts receivable	820,944
Prepaid expenses	44,300
Equipment	91,000
Acquired technology	1,018,037
Subtotal	3,156,995
Liabilities assumed	
Accounts payable and accrued liabilities	$282,178
Loan payable	293,981
Subtotal	576,159
Net identifiable assets acquired	$2,580,836

As consideration, we paid $1,200,000 in cash and issued 2,779,180 common shares and 3,300,000 units. Each unit consisted of one common share and one common share purchase warrant, with each common share purchase warrant allowing its holder to acquire one additional common share at an exercise price of $0.40 until March 15, 2018. The fair value of the unit was determined based on the stand-alone value of the common share and the common share purchase warrant, in accordance with IFRS 13, *Fair Value Measurement* and IFRS 3, *Business Combinations*. Accordingly, the fair value of the aggregate 6,079,180 common shares issued was based on the closing price of our common shares of $0.20 on April 9, 2013. The fair value of the 3,300,000 common share purchase warrants was determined using the Black-Scholes option pricing model. Assumptions used to determine the value of the common share purchase warrant were: dividend yield of 0%; risk-free interest rate of 1.1%; expected volatility of 68%; and average expected life of 3 years. Cash used in the investment of $647,996 was determined by subtracting cash acquired of $552,004 from cash consideration of $1,200,000. Post-closing, Trillium Privateco shareholders held approximately 16% of the issued and outstanding common shares, and Trillium Privateco became our wholly-owned subsidiary.

Financings

On December 13, 2013, we completed a private placement of 79,247,693 common share units at a price of $0.21 per unit and 77,895,165 preferred share units at a price of $0.21 per unit for gross proceeds of $32,866,025. Proceeds from the private placement will be used primarily for the advancement of our SIRPaFc program through IND-enabling studies, manufacturing and phase I clinical trials. In the first quarter of fiscal 2014 we assembled a small team of experienced manufacturing, toxicology, clinical and regulatory employees and consultants to support this program.

In March 2013, we completed an offering pursuant to a base shelf prospectus and prospectus supplement and in the U.S. pursuant to a private placement memorandum for a total of 12,735,000 units at a price of $0.25 per unit, for aggregate gross proceeds to us of $3,185,080.

For more information relating to our financing activities please refer to the Liquidity and Capital Resources section.

Board of Director Changes

In the previous three years, we restructured our product pipeline and acquired the necessary financial resources to advance our lead SIRPaFc program forward. Over this period, our Board of Directors has evolved as our focus has changed. Recent changes to the Board include the retirement of Mr. David Allan, Dr. James DeMesa and Mr. Dean Peterson, and the appointment of Dr. Michael Moore in April 2013, Dr. Robert Kirkman in December 2013, and Dr. Calvin Stiller as Chair in January 2014. On March 10, 2014, Mr. Luke Beshar and Dr. Thomas Reynolds joined the Board of Directors.

Share Consolidation, TSXV and TSX

Our Board of Directors authorized the implementation of a share consolidation at a ratio of one post-consolidation common share for 10 pre-consolidation common shares and on February 6, 2013, our common shares began trading on the TSXV on a post-consolidation basis. On April 22, 2014, our common shares began trading on the TSX and were simultaneously delisted from the TSXV.

On May 27, 2014, we received approval from our shareholders to consolidate our issued and outstanding common shares on a ratio of one post-consolidation common share for each 10 to 30 outstanding pre-consolidation common shares, with the final ratio to be determined by the Board of Directors in their sole discretion. We intend to apply for a listing on the NASDAQ Stock Exchange which would require us to consolidate our outstanding common shares to meet the minimum share price requirement of the exchange.

OTCQX

Our stock began trading on the OTCQX International over-the-counter marketplace under the symbol "SCTPF" on May 20, 2013.

Tigecycline License

On April 16, 2013, we signed an agreement with the University Health Network ("**UHN**") to gain rights to intellectual property related to the use of tigecycline for the treatment of leukemia which included a UHN sponsored, open label phase I multicenter dose-escalation tigecycline trial in patients with relapsed or refractory AML, which continues to enroll patients. The initial consideration for the UHN license of $1,085,714 was satisfied by the issuance of 5,028,571 common shares and 1,600,000 common share purchase warrants, each warrant allowing its holder to acquire one additional common share at an exercise price of $0.40 until March 15, 2018. Additional consideration under the UHN license included an annual license maintenance fee and future development milestones. The fair value of the common shares issued was based on the closing price of our common shares of $0.20 on April 16, 2013 and $0.25 per unit based on the fair value of the common share and common share purchase warrant components as of the date of acquisition.

Since acquiring these rights, we monitored the results of the phase I trial and assessed alternate development strategies for the technology. In August 2014, we completed an evaluation of this program with respect to its scientific merit, commercial potential, strength of intellectual property, as well as its overall fit with our current focus and expertise. We concluded that we should focus our business plan on expanding the SIRPaFc program, rather than continue development of tigecycline, and returned the licensed rights to UHN.

Products in Development

SIRPaFc

SIRPaFc is an antibody-like protein that binds to CD47 and activates macrophages, a type of white blood cell that can ingest and destroy other cells, to eliminate cancer cells. The rationale for the SIRPaFc program is based on three main observations:

- CD47 delivers a "do not eat" signal to macrophages. This signal occurs when CD47 binds to a specific protein, SIRPa, on the surface of the macrophage;
- CD47 is highly expressed by many different types of tumors and high CD47 expression correlates with poor clinical outcome, consistent with tumor cells exploiting this pathway to evade immune-mediated attack; and
- Genetic experiments establish that disruption of the CD47-SIRPa interaction leads to elimination of tumor cells in animals.

Through a series of optimization studies, human SIRPaFc clinical development candidates were identified. These proteins bind strongly to CD47 and block its interaction with SIRPa. In cell-based experiments, SIRPaFc treatment enables macrophages to destroy AML tumor cells while sparing normal cells from cord or peripheral blood. This selectivity for tumor cells may be due to the expression of signals that trigger macrophage activation ("eat" signals) on malignant cells but not on normal cells. In animal studies, treatment with SIRPaFc results in anti-leukemic activity, significantly reducing the leukemic burden in the bone marrow and impairing the spread of the disease. These results are further validated by independent research demonstrating similar activity when CD47 is blocked using monoclonal antibodies. Such validating research was carried out by Majeti et al in 2009, and Chao et al in 2010, both published in the journal "Cell," Chao et al. in 2011 published in the journal "Cancer Research," Willingham et al. in 2012 published in the "Proceedings of the National Academy of Sciences USA," and Kim et al. in 2012 published in the journal "Leukemia."

Since human SIRPaFc does not bind mouse CD47, mouse SIRPaFc surrogate fusion proteins were generated. These incorporated the SIRPa sequence from the NOD mouse strain, which has the unusual property of binding both mouse and human CD47, and thus can be used in studies in which human tumor cells are transplanted into mice. The mouse surrogates were shown to be well tolerated in mice and could mediate anti-leukemic activity in the AML tumor studies, even at relatively low doses (<1 mg/kg).

Data from studies in non-human primates, using several SIRPaFc proteins, provided supportive safety and pharmacokinetic data to advance this program into formal pre-IND studies.

In April 2014, we presented data at the 105th American Association of Cancer Research ("**AACR**") Annual Meeting demonstrating that our SIRPaFc proteins bind very poorly to human red blood cells ("**RBCs**") compared to both commercial anti-CD47 monoclonal antibodies and proprietary CD47-blocking agents. We did not see this difference in binding with other cell types, including AML tumor cells, suggesting it may be an RBC-specific phenomenon. We believe the lack of significant SIRPaFc binding to RBCs is unique to humans, since SIRPaFc bound strongly to mouse and non-human primate RBCs. These results are consistent with

independently published reports documenting differences in binding between CD47-specific antibodies and SIRPa. While the mechanism behind this observation is still under investigation, our preliminary data suggest that it may relate to unique structural features of CD47 in the human RBC membrane. Importantly, these results suggest that our SIRPaFc proteins may have a preferable RBC binding profile compared to competing approaches, which we believe may predict a lower risk of RBC toxicity and a more favorable pharmacokinetic profile in patients.

SIRPaFc is initially being developed as a therapy to eradicate cancer cells in AML patients. Beyond AML, there is potential to apply SIRPaFc therapy to other malignancies. Recent data has suggested that the CD47 "do not eat" signal is highly expressed by many blood cell tumors, including acute lymphoblastic leukemia, diffuse large cell B lymphoma, chronic lymphocytic leukemia, mantle cell lymphoma and multiple myeloma. Elevated CD47 has been reported in solid tumors, including breast, colon, ovarian, brain, liver and prostate cancers and leiomyosarcoma. There is evidence in a number of these cancers that high CD47 expression has negative clinical consequences, correlating with more aggressive disease and poor survival, and antibody blockade of CD47 has demonstrated efficacy across numerous tumor models. In addition, there is evidence from the literature that SIRPaFc may be useful in combination with approved anti-cancer antibodies (e.g., Rituxan®). Since many cancer antibodies work at least in part by activating cells of the innate immune system, it may be possible to enhance the potency of these agents by blocking the negative "do not eat" CD47 signal that tumor cells deliver to macrophages. We therefore plan to explore SIRPaFc in combination studies using preclinical tumor models.

In August 2014, we entered into a collaboration with academic investigators in London, Ontario to explore the therapeutic potential of SIRPaFc in a variety of solid tumor models. The research will be conducted in the laboratories of Drs. James Koropatnick and Ting-Yim Lee, at the Lawson Health Research Institute and the Robarts Research Institute, University of Western Ontario. Trillium's funding will be matched 1:1 by a grant from the Ontario Research Fund – Research Excellence (ORF-RE), providing the collaboration with a research budget approximating $600,000.

We have recently generated additional efficacy data in a mouse model of acute myeloid leukemia, examining various therapeutic dose levels and dosing regimens, as well as the effect of various Fc regions. The data continue to demonstrate that the identity of the Fc region directly impacts potency and that significant anti-tumor activity can be achieved at doses below 1 mg/kg using the most active Fc region. Additional *in vivo* studies in solid tumor models are underway and studies in several additional haematological cancers are expected to commence shortly.

In parallel with its expanded efficacy studies, we have also conducted additional non-GLP non-human primate safety and pharmacokinetic studies, which have provided valuable guidance for the design of our formal IND-enabling toxicology program, expected to commence in the first quarter of 2015.

Our SIRPaFc program originated from leading researchers in the field, including Drs. John Dick and Jean Wang of the UHN and Dr. Jayne Danska of the Hospital for Sick Children ("**HSC**"). Exclusive rights to SIRPaFc have been licensed from UHN and HSC pursuant to a license

agreement amended and restated as of June 1, 2012. The licensed intellectual property relates to methods and compounds used in the modulation of SIRPa-CD47 interaction for therapeutic cancer applications. The license agreement requires us to use commercially reasonable efforts to commercialize the licensed technology. The license agreement will terminate on a country-by-country basis, in countries where a valid claim exists, when the last valid claim expires in such country, or if no valid claim exists, when the last valid claim expires in the U.S.

The license includes commitments to pay an annual maintenance fee of $25,000, as well as payments on patent issuances, development milestone payments ranging from $100,000 to $300,000 on the initiation of phase I, II and III clinical trials, and payments on the achievement of certain regulatory milestones as well as low single digit royalties on commercial sales. The payments due on submission of the first Biologics License Application ("**BLA**") and receipt of a first regulatory approval in the U.S. are $1,000,000 for each milestone. The aggregate milestones payable on their first achievement under the agreement in the major markets of the U.S., Europe and Asia combined are $5,660,000. We are also required to pay 20% of any sublicensing revenues to the licensors on the first $50 million of sublicensing revenues received and 15% thereafter.

Products for Development with Partners

CD200 mAb

We have developed fully human monoclonal antibodies that block the activity of CD200, an inhibitory molecule that many tumors exploit to evade attack from the immune system. Although immune regulation by CD200 was first explored in the context of transplantation and autoimmunity, it has become clear that this molecule may play an important role in tumor immunity. There is abundant evidence that CD200 is highly expressed by many different types of blood cell and solid tumors, and in numerous cases this high expression correlates with disease progression and poor clinical outcome. This is consistent with tumor cells using CD200 as a means of evading immune-mediated destruction. Indeed, tumor-expressed CD200 can modulate anti-tumor responses in vitro and in vivo, and antibodies that block CD200 have been shown to promote anti-tumor immunity in animal models of cancer.

Our antibodies bind strongly to human CD200, potently neutralizing CD200 function in vitro, and have anti-tumor activity in a transplanted human tumor cell model. We are seeking a development partner to advance this program into formal preclinical IND-enabling studies.

TTI-1612

TTI-1612 is a recombinant soluble form of heparin-binding epidermal-growth-factor-like growth factor. HB-EGF is a naturally occurring protein that triggers cell growth and stimulates wound healing. It is being developed as a treatment for interstitial cystitis/bladder pain syndrome ("**IC/BPS**"), a chronic bladder disease characterized by low urinary HB-EGF levels and a dysfunctional, "leaky" bladder epithelium. TTI-1612 stimulates the proliferation of bladder epithelial cells and reduces their permeability. Unlike the current IC therapeutics, which are

largely palliative in nature, TTI-1612 is designed to target the root cause of IC, the dysfunction of the bladder's epithelial cell layers caused by low levels of HB-EGF.

Our phase I study of TTI-1612 in 28 patients with IC/BPS was completed in 2013. The study was designed to assess the safety and tolerability of single ascending doses of TTI-1612 in IC/BPS patients. Pharmacokinetics and changes in disease symptoms were also evaluated. Clinical data indicate that TTI-1612 was well tolerated and exhibited a favorable pharmacokinetic profile.

This project is outside of our core interest in immuno-oncology, and we are therefore seeking to out-license or divest the entire program.

While we may seek to out-license certain development products there can be no assurance that we will be successful at partnering these products. Where ongoing patent and other maintenance costs exceed expected proceeds of out-licensing, certain non-core technologies may be abandoned.

Previously-held Regenerative Stem Cell Technologies

In July 2013, we ceased all activities associated with our pre-merger historic regenerative neurology programs, including terminating the NTx®-265 Phase IIa open-label intravenous study in traumatic brain injury, and abandoned all related intellectual property filings.

Patents and Proprietary Rights

We own or control patent rights covering our key products and their therapeutic end uses. The patents and patent applications are either granted or pending in major pharmaceutical markets. In all, the patent estate includes seven patent families, including eight issued patents and four pending patents in the U.S. and various other patent applications pending in Europe, Canada, Australia and Japan. These include four granted patents in the U.S. relating to the immune modulating use of CD200 mAbs, and a granted patent in the U.S. for an assay useful to detect CD200 in cancer patients, as well as a filing for novel human antibodies to CD200. We also control three granted patents in the U.S. covering the use of HB-EGF in treating interstitial cystitis, and a patent family based on more recent results with the active drug.

In connection specifically with patent applications relating to SIRPaFc, we control two patent families that comprise 8 individual filings. One family has claims that embrace species of SIRPaFc found to have certain therapeutic properties and their use for the treatment of cancer. These patent rights are owned outright by Trillium and national patent filings are planned. Patents emerging from this family will expire in 2033. A second SIRPa patent family was in-licensed on an exclusive basis from co-owners UHN and HSC. This family has been filed in the major markets, including US, Europe, Japan, Canada, Australia, China, and India. The claims cover the use of various forms of SIRPa to treat CD47-positive cancers. Patents in this family begin to expire in the year 2029.

In connection specifically with CD200 mAb patents, we have four granted US patents that cover the use of CD200 antibodies for the treatment of autoimmune and related disorders that will

begin to expire in 2018. We more recently made a patent filing that covers particular species of human antibodies to human CD200. A patent family based on this filing would expire in 2035.

We intend to protect additional intellectual property developed by us through the filing of patent applications within the appropriate jurisdictions throughout the world.

Disease Indications

Acute Myeloid Leukemia (AML)

AML is the most common type of acute leukemia in adults, with approximately 13,000 new cases diagnosed each year in the United States. The majority of AML patients receive induction chemotherapy. In patients under 60 years of age, remission rates of up to 75% can be achieved, and patients with good-risk or standard-risk chromosomal changes will typically receive post-remission therapy with high dose cytarabine. However, relapses are common, and the majority of patients will die from their disease. AML in patients over 60 years of age is notoriously difficult to treat, with five-year survival rates reportedly of less than 10%. There is ample evidence that AML is sustained by leukemic stem cells ("**LSCs**"), and the failure to eradicate these LSCs using conventional chemotherapy is thought to be responsible for disease relapse. CD47 is overexpressed by both bulk AML cancer cells as well as LSCs.

Competition

While there is significant clinical activity in AML, there are a limited number of agents in development targeting AML LSCs. Similar to our targeting of CD47, we believe other agents in development targeting AML LSCs are largely focused on cell surface proteins such as CD123 and CD44. SIRPaFc is in direct competition with a CD47 blocking antibody from Stanford University which is in preclinical development and expected to enter clinical development soon. Although both agents target the same pathway, we understand each are structurally distinct entities with unique properties. We are also aware that Celgene Corporation and Novimmune SA have CD47 antibody programs.

We believe that our approach of using SIRPa, which is the natural binding partner for CD47, may have advantages over treatment with CD47-specific antibodies. In April 2014, we presented data at the 105th AACR Annual Meeting demonstrating that our SIRPaFc fusion proteins bind very poorly to human RBCs compared to both commercial anti-CD47 monoclonal antibodies and proprietary CD47-blocking agents. This difference in binding was not seen with other cell types, including AML tumor cells, suggesting it is an RBC-specific phenomenon. The very low RBC binding profile of our SIRPaFc proteins may provide two important advantages over other CD47 blocking agents. First, there may be a lower risk of RBC toxicity, such as anemia, with SIRPaFc. Anemia is a condition in which the blood is deficient in red blood cells, in hemoglobin, or in total volume. This would translate into improved patient care, particularly in diseases such as AML where patients are predisposed to developing anemia. Second, there may be much lower loss of SIRPaFc from circulation of treated patients compared to CD47 antibodies, which bind strongly to circulating RBCs. The ability of RBCs to absorb and remove circulating CD47-specific antibodies, a so called "antigen-sink effect", may necessitate high doses of drug in order

to effectively target the tumor cells, which could lead to potentially higher off-target toxicity. Thus, SIRPaFc may have a better safety profile and drug kinetics than CD47-specific antibodies.

TREND INFORMATION

Historical patterns of expenditures cannot be taken as an indication of future expenditures. The amount and timing of expenditures and therefore liquidity and capital resources vary substantially from period to period depending on the number of research and development programs being undertaken at any one time, the stage of the development programs, the timing of significant expenditures for manufacturing, toxicology and pharmacology studies and clinical trials, and the availability of funding from investors and prospective commercial partners.

Expenses for the three months ended March 31, 2013 were lower due to low development activity levels while we sought new products for development. Subsequent to the April 9, 2013 Trillium Privateco merger, expenses increased significantly as we acquired twelve personnel and an approximately 10,000 square foot leased laboratory and office facility, and thereafter licensed additional technology assets from UHN. In December 2013, we completed a private placement raising gross proceeds of $33 million to advance our SIRPaFc program through phase I clinical trials. Management expects 2014 expenditures will increase significantly from 2013 levels as we advance our SIRPaFc program through IND-enabling studies, hire additional personnel, and incur increased manufacturing costs.

RISKS AND UNCERTAINTY

An investment in our common shares involves a high degree of risk and should be considered speculative. An investment in our common shares should only be undertaken by those persons who can afford the total loss of their investment. You should carefully consider the risks and uncertainties described below, as well as other information contained in this MD&A. The risks and uncertainties below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we believe to be immaterial may also adversely affect our business. If any of the following risks occur, our business, financial condition and results of operations could be seriously harmed and you could lose all or part of your investment. Further, if we fail to meet the expectations of the public market in any given period, the market price of our common shares could decline. We operate in a highly competitive environment that involves significant risks and uncertainties, some of which are outside of our control.

Risks Related to our Business and our Industry

We expect to incur future losses and we may never become profitable.

We have incurred losses of $4.3 million, $1.1 million and $3.2 million during 2013, 2012 and 2011, respectively, and expect to incur an operating loss in 2014. We have an accumulated deficit since inception through September 30, 2014 of over $46 million. We believe that operating losses will continue in and beyond 2014 because we are planning to incur significant costs associated with the preclinical and clinical development of SIRPaFc. Our net losses have had and will continue to have an adverse effect on, among other things, our shareholders' equity, total assets and working capital. We expect that losses will fluctuate from quarter to quarter and

year to year, and that such fluctuations may be substantial. We cannot predict when we will become profitable, if at all.

We currently have no product revenue and will not be able to maintain our operations and research and development without additional funding.

To date, we have generated no product revenue and cannot predict when and if we will generate product revenue. Our ability to generate product revenue and ultimately become profitable depends upon our ability, alone or with partners, to successfully commercialize products, including any of our current product candidates, or other product candidates that we may develop, in-license or acquire in the future. We do not anticipate generating revenue from the sale of products for the foreseeable future. We expect our research and development expenses to increase substantially in connection with our ongoing activities, particularly as we advance our product candidates into clinical trials. We will also require significant additional funds if we expand the scope of our current clinical plans for the SIRPaFc program or if we were to acquire any new assets and advance those towards clinical testing.

We will require additional capital to finance our operations, which may not be available to us on acceptable terms, or at all. As a result, we may not complete the development and commercialization of our product candidates or develop new product candidates.

As a research and development company, our operations have consumed substantial amounts of cash since inception. We expect to spend substantial funds to continue the research, development and testing of our products that are in the preclinical and clinical testing stages of development, and to prepare to commercialize products in anticipation of U.S. Food and Drug Administration ("**FDA**") approval in the U.S. and similar approvals in other jurisdictions. Therefore, for the foreseeable future, we will have to fund all of our operations and development expenditures from cash on hand, equity or debt financings, through collaborations with other biotechnology or pharmaceutical companies or through financings from other sources. As at September 30, 2014, we had cash and marketable securities of $28,259,868 representing approximately 25 months of operations. Additional financing will be required to meet our long term liquidity needs. If we do not succeed in raising additional funds on acceptable terms, we might not be able to complete planned preclinical and clinical trials or obtain approval of any product candidates from the FDA and other regulatory authorities. It is possible that future financing will not be available or, if available, may not be on favorable terms. The availability of financing will be affected by the achievement of our corporate goals, the results of scientific and clinical research, the ability to obtain regulatory approvals, the state of the capital markets generally and with particular reference to drug development companies, the status of strategic alliance agreements and other relevant commercial considerations. If adequate funding is not available, we may be required to delay, reduce or eliminate one or more of our product development programs, or obtain funds through corporate partners or others who may require us to relinquish significant rights to product candidates or obtain funds on less favorable terms than we would otherwise accept. To the extent that external sources of capital become limited or unavailable or available on onerous terms, our intangible assets and our ability to continue our clinical development plans may become impaired, and our assets, liabilities, business, financial condition and results of operations may be materially or adversely affected.

Our prospects depend on the success of our product candidates which are at early stages of development, and we may not generate revenue for several years, if at all, from these products.

Given the early stage of our product development, we can make no assurance that our research and development programs related to SIRPaFc, CD200 or others will gain regulatory approval or result in commercially viable products. To achieve profitable operations, we, alone or with others, must successfully develop, gain regulatory approval and market our future products. We currently have no products that have been approved by the FDA, Health Canada ("**HC**") or any similar regulatory authority. To obtain regulatory approvals for our product candidates being developed and to achieve commercial success, clinical trials must demonstrate that the product candidates are safe for human use and that they demonstrate efficacy. While SIRPaFc has entered formal IND-enabling studies, we have not yet completed manufacturing, initiated formal toxicology studies, a phase I clinical study or subsequent required clinical trials. Our CD200 program is ready to enter formal IND-enabling preclinical studies, but we have yet to initiate these and under current circumstances are not contemplating doing so without a development partner to share in the cost and responsibility of the program.

Many product candidates never reach the stage of clinical testing and even those that do have only a small chance of successfully completing clinical development and gaining regulatory approval. Product candidates may fail for a number of reasons, including being unsafe for human use or due to the failure to provide therapeutic benefits equal to or better than the standard of treatment at the time of testing. Unsatisfactory results obtained from a particular study relating to a research and development program may cause us or our collaborators to abandon commitments to that program. Positive results of early preclinical research may not be indicative of the results that will be obtained in later stages of preclinical or clinical research. We can make no assurance that any future studies, if undertaken, will yield favorable results.

The early stage of our product development makes it particularly uncertain whether any of our product development efforts will prove to be effective, meet applicable regulatory standards, receive the requisite regulatory approvals, be capable of being manufactured at a reasonable cost or successfully marketed. If successful in developing our current and future product candidates into approved products, we will still experience many potential obstacles such as the need to develop or obtain manufacturing, marketing and distribution capabilities. If we are unable to successfully commercialize any of our products, our financial condition and results of operations may be materially and adversely affected.

We rely on third parties to plan, conduct and monitor our preclinical and clinical studies, and their failure to perform as required would interfere with our product development.

We rely on third parties to conduct a significant portion of our preclinical and clinical development activities. Preclinical activities include *in vivo* studies providing access to specific disease models, pharmacology and toxicology studies, and assay development. Clinical development activities include trial design, regulatory submissions, clinical patient recruitment, clinical trial monitoring, clinical data management and analysis, safety monitoring and project management. If there is any dispute or disruption in our relationship with third parties, or if they are unable to provide quality services in a timely manner and at a feasible cost, our active development programs will face delays. Further, if any of these third parties fails to perform as

we expect or if their work fails to meet regulatory standards, our testing could be delayed, cancelled or rendered ineffective.

We rely on contract manufacturers over whom we have limited control. If we are subject to quality, cost or delivery issues with the preclinical and clinical grade materials supplied by contract manufacturers, our business operations could suffer significant harm.

We have limited manufacturing experience and rely on contract manufacturing organizations ("**CMOs**"), to manufacture our product candidates for larger preclinical and clinical studies. We produce small quantities of our product candidates at bench scale in our laboratory facilities for use in smaller studies. We rely on CMOs for manufacturing, filling, packaging, storage and shipping of drug product in compliance with current Good Manufacturing Practice ("**cGMP**") regulations applicable to our products. The FDA ensures the quality of drug products by carefully monitoring drug manufacturers' compliance with cGMP regulations. The cGMP regulations for drugs contain minimum requirements for the methods, facilities and controls used in manufacturing, processing and packing of a drug product.

We have contracted with Catalent Pharma Solutions ("**Catalent**") for the manufacture of the SIRPaFc protein needed for our pre-IND toxicology and pharmacology studies and to supply drug for our phase I clinical trial. The manufacture of recombinant proteins uses well established processes including a protein expression system. Catalent is producing SIRPaFc using their proprietary GPEx® expression system which, according to Catalent, has been used to produce more than 100 product candidates for phase I and II clinical trials. According to Catalent, there are three commercial products manufactured using this expression system, although none in North America. We believe that Catalent has the capacity, the systems and the experience to supply SIRPaFc for our planned phase I clinical trial and they may be considered for manufacturing for later clinical trials. Since the Catalent manufacturing facility where SIRPaFc is being produced was only recently established it has not been inspected by the FDA. Any manufacturing failures or delays or compliance issues could cause delays in the completion of our preclinical studies of SIRPaFc, and delays in the submission or approval of our IND and the initiation of our phase I trial.

There can be no assurances that CMOs will be able to meet our timetable and requirements. We have not contracted with alternate suppliers in the event Catalent is unable to scale production, or if we otherwise experience any other significant problems with them. If we are unable to arrange for alternative third-party manufacturing sources on commercially reasonable terms or in a timely manner, we may be delayed in the development of our product candidates. Further, contract manufacturers must operate in compliance with cGMP and failure to do so could result in, among other things, the disruption of product supplies. Our dependence upon third parties for the manufacture of our products may adversely affect our profit margins and our ability to develop and deliver products on a timely and competitive basis.

If clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.

Before obtaining marketing approval from regulatory authorities for the sale of our product candidates, we must conduct extensive clinical trials in humans to demonstrate the safety and efficacy of the product candidates. Clinical testing is expensive and difficult to design and implement, can take many years to complete and has uncertain outcomes. The outcome of preclinical studies and early clinical trials may not predict the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier trials. We do not know whether the clinical trials we may conduct will demonstrate adequate efficacy and safety to result in regulatory approval to market any of our product candidates as approved products in any jurisdiction. A product candidate may fail for safety or efficacy reasons at any stage of the testing process. A major risk we face is the possibility that none of our product candidates under development will successfully complete the testing process to final approval for marketing and sale, resulting in us being unable to derive any commercial revenue from them after investing significant amounts of capital in multiple stages of preclinical and clinical testing.

If we experience delays in clinical testing, we will be delayed in commercializing our product candidates, our costs may increase and our business may be harmed.

We cannot predict whether any clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. Our product development costs will increase if we experience delays in clinical testing. Significant clinical trial delays could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before us, which would impair our ability to successfully commercialize our product candidates and may harm our financial condition, results of operations and prospects. The commencement and completion of clinical studies for our products, including our planned SIRPaFc phase I clinical trial, may be delayed for a number of reasons, including delays related, but not limited to:

- failure by regulatory authorities to grant permission to proceed or placing the clinical study on hold;
- patients failing to enroll or remain in our trials at the rate we expect;
- suspension or termination of clinical trials by regulators for many reasons, including concerns about patient safety or failure of our contract manufacturers to comply with cGMP requirements;
- any changes to our manufacturing process that may be necessary or desired;
- delays or failure to obtain clinical supply from contract manufacturers of our products necessary to conduct clinical trials;
- product candidates demonstrating a lack of efficacy during clinical trials;

- patients choosing an alternative treatment for the indications for which we are developing any of our products or participating in competing clinical studies;
- patients failing to complete clinical trials due to dissatisfaction with the treatment, side effects or other reasons;
- reports of clinical testing on similar technologies and products raising safety and/or efficacy concerns;
- competing clinical trials and scheduling conflicts with participating clinicians;
- clinical investigators not performing our clinical trials on their anticipated schedule, dropping out of a trial, or employing methods not consistent with the clinical trial protocol, regulatory requirements or other third parties not performing data collection and analysis in a timely or accurate manner;
- failure of our contract research organizations ("**CROs**") to satisfy their contractual duties or meet expected deadlines;
- inspections of clinical study sites by regulatory authorities or Institutional Review Boards ("**IRBs**") finding regulatory violations that require us to undertake corrective action, resulting in suspension or termination of one or more sites or the imposition of a clinical hold on the entire study;
- one or more IRBs rejecting, suspending or terminating the study at an investigational site, precluding enrollment of additional subjects, or withdrawing its approval of the trial; and
- reaching agreement on acceptable terms with prospective clinical trial sites.

Our product development costs will increase if we experience delays in testing or approval or if we need to perform more or larger clinical studies than planned. Additionally, changes in regulatory requirements and policies may occur, and we may need to amend study protocols to reflect these changes. Amendments may require us to resubmit our study protocols to regulatory authorities or IRBs for re-examination, which may impact the cost, timing or successful completion of that study. Delays or increased product development costs may have a material adverse effect on our business, financial condition and prospects.

If we have difficulty enrolling patients in clinical trials, the completion of the trials may be delayed or cancelled.

As our product candidates advance from preclinical testing to clinical testing, and then through progressively larger and more complex clinical trials, we will need to enroll an increasing number of patients that meet our eligibility criteria. There is significant competition for recruiting cancer patients in clinical trials, and we may be unable to enroll the patients we need to complete clinical trials on a timely basis or at all. The factors that affect our ability to enroll patients are largely uncontrollable and include, but are not limited to, the following:

- size and nature of the patient population;
- eligibility and exclusion criteria for the study;
- design of the study protocol;
- competition with other companies for clinical sites or patients;

- the perceived risks and benefits of the therapy under study;
- the patient referral practices of physicians; and
- the number, availability and accessibility of clinical trial sites.

If we are unable to successfully develop companion diagnostics for our therapeutic product candidates, or experience significant delays in doing so, we may not achieve marketing approval or realize the full commercial potential of our therapeutic product candidates.

We plan to develop companion diagnostics for our therapeutic product candidates. We expect that, at least in some cases, regulatory authorities may require the development and regulatory approval of a companion diagnostic as a condition to approving our therapeutic product candidates. We have limited experience and capabilities in developing or commercializing diagnostics and plan to rely in large part on third parties to perform these functions. We do not currently have any agreement in place with any third party to develop or commercialize companion diagnostics for any of our therapeutic product candidates.

Companion diagnostics are subject to regulation by the FDA, HC and comparable foreign regulatory authorities as medical devices and may require separate regulatory approval prior to commercialization.

If we, or any third parties that we engage to assist us, are unable to successfully develop companion diagnostics for our therapeutic product candidates, or experience delays in doing so:

- the development of our therapeutic product candidates may be adversely affected if we are unable to appropriately select patients for enrollment in our clinical trials;
- our therapeutic product candidates may not receive marketing approval if their safe and effective use depends on a companion diagnostic; and
- and we may not realize the full commercial potential of any therapeutic product candidates that receive marketing approval if, among other reasons, we are unable to appropriately identify patients with cancers that are most likely to respond to treatment with our therapeutic products.

If any of these events were to occur, our business would be harmed, possibly materially.

Regulatory approval processes are lengthy, expensive and inherently unpredictable. Our inability to obtain regulatory approval for our product candidates would substantially harm our business.

Our development and commercialization activities and product candidates are significantly regulated by a number of governmental entities, including the FDA, HC and by comparable authorities in other countries. Regulatory approvals are required prior to each clinical trial and we may fail to obtain the necessary approvals to commence or continue clinical testing. We must comply with regulations concerning the manufacture, testing, safety, effectiveness, labeling, documentation, advertising and sale of products and product candidates and ultimately must obtain regulatory approval in all of these areas before we can commercialize the product candidate. The time required to obtain approval by such regulatory authorities is unpredictable

but typically takes many years following the commencement of preclinical studies and clinical trials. Any analysis we perform of data from clinical activities is subject to confirmation and interpretation by regulatory authorities, which could delay, limit or prevent regulatory approval. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. We have not obtained regulatory approval for any product candidate and it is possible that none of our existing product candidates or any future product candidates will ever obtain regulatory approval.

We could fail to receive regulatory approval for our product candidates for many reasons, including, but not limited to:

- disagreement with the design or implementation of our clinical trials;
- failure to demonstrate that a product candidate is safe and effective for its proposed indication;
- failure of clinical trials to meet the level of statistical significance required for approval;
- failure to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- disagreement with our interpretation of data from preclinical studies or clinical trials;
- the insufficiency of data collected from clinical trials of our product candidates to support the submission and filing of a BLA or other submission or to obtain regulatory approval;
- failure to obtain approval of the manufacturing processes or facilities of CMOs with whom we contract for clinical and commercial supplies; or
- or changes in the approval policies or regulations that render our preclinical and clinical data insufficient for approval.

A regulatory authority may require more information, including additional preclinical or clinical data to support approval, which may delay or prevent approval and our commercialization plans, or we may decide to abandon the development program. If we were to obtain approval, regulatory authorities may approve any of our product candidates for fewer or more limited indications than we request, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate.

We face competition from other biotechnology and pharmaceutical companies and our financial condition and operations will suffer if we fail to effectively compete.

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. Our competitors include large, well-established pharmaceutical companies, biotechnology companies, and academic and research institutions developing cancer therapeutics for the same indications we are targeting and competitors with existing marketed therapies. Many other companies are developing or commercializing therapies

to treat the same diseases or indications for which our product candidates may be useful. Although there are no approved therapies that specifically target the CD47 pathway, some competitors use therapeutic approaches that may compete directly with our product candidates. For example, SIRPaFc is in direct competition with CD47 blocking antibodies from Stanford University, Celgene Corporation and Novimmune SA. If we are not able to compete effectively against our current and future competitors, our business will not grow and our financial condition and operations will suffer.

Many of our competitors have substantially greater financial, technical and human resources than we do and have significantly greater experience than us in conducting preclinical testing and human clinical trials of product candidates, scaling up manufacturing operations and obtaining regulatory approvals of products and manufacturing facilities. Accordingly, our competitors may succeed in obtaining regulatory approval for products more rapidly than we do. Our ability to compete successfully will largely depend on:

- the efficacy and safety profile of our product candidates relative to marketed products and other product candidates in development;
- our ability to develop and maintain a competitive position in the product categories and technologies on which we focus;
- the time it takes for our product candidates to complete clinical development and receive marketing approval;
- our ability to obtain required regulatory approvals;
- our ability to commercialize any of our product candidates that receive regulatory approval;
- our ability to establish, maintain and protect intellectual property rights related to our product candidates; and
- acceptance of any of our product candidates that receive regulatory approval by physicians and other healthcare providers and payers.

We heavily rely on the capabilities and experience of our key executives and scientists and the loss of any of them could affect our ability to develop our products.

The loss of Dr. Niclas Stiernholm, our President and Chief Executive Officer, or other key members of our staff, including Dr. Robert Uger, our Chief Scientific Officer, James Parsons, our Chief Financial Officer, or Dr. Penka Petrova, our Vice President, Drug Development, could harm us. We have employment agreements with Drs. Stiernholm, Uger and Petrova and Mr. Parsons although this does not guarantee their retention. We also depend on our scientific and clinical collaborators and advisors, all of whom have outside commitments that may limit their availability to us. In addition, we believe that our future success will depend in large part upon our ability to attract and retain highly skilled scientific, managerial, medical, clinical and regulatory personnel, particularly as we expand our activities and seek regulatory approvals for clinical trials. We routinely enter into consulting agreements with our scientific and clinical collaborators and advisors, key opinion leaders and academic partners in the ordinary course of

our business. We also enter into contractual agreements with physicians and institutions who recruit patients into our clinical trials on our behalf in the ordinary course of our business. Notwithstanding these arrangements, we face significant competition for these types of personnel from other companies, research and academic institutions, government entities and other organizations. We cannot predict our success in hiring or retaining the personnel we require for continued growth. The loss of the services of any of our executive officers or other key personnel could potentially harm our business, operating results or financial condition.

We may expand our business through the acquisition of companies or businesses or by entering into collaborations or by in-licensing product candidates that could disrupt our business and harm our financial condition.

We have in the past and may in the future seek to expand our pipeline and capabilities by acquiring one or more companies or businesses, entering into collaborations or in-licensing one or more product candidates. For example, in April 2013 we acquired Trillium Privateco to acquire novel cancer therapeutics, an experienced scientific management team and internal development capabilities. We licensed intellectual property relating to methods and compounds for the modulation of the SIRPa-CD47 interaction for therapeutic cancer applications from UHN and HSC. In April 2013, we also in-licensed tigecycline which was subsequently returned to UHN in 2014. Acquisitions, collaborations and in-licenses involve numerous risks, including:

- substantial cash expenditures;
- technology development risks;
- potentially dilutive issuances of equity securities;
- incurrence of debt and contingent liabilities, some of which may be difficult or impossible to identify at the time of acquisition;
- difficulties in assimilating the operations of the acquired companies;
- potential disputes regarding contingent consideration;
- diverting our management's attention away from other business concerns;
- entering markets in which we have limited or no direct experience; and
- potential loss of our key employees or key employees of the acquired companies or businesses.

We have experience in making acquisitions, entering collaborations and in-licensing product candidates, however, we cannot provide assurance that any acquisition, collaboration or in-license will result in short-term or long-term benefits to us. We may incorrectly judge the value or worth of an acquired company or business or in-licensed product candidate. In addition, our future success would depend in part on our ability to manage the rapid growth associated with some of these acquisitions, collaborations and in-licenses. We cannot assure you that we would be able to successfully combine our business with that of acquired businesses, manage a collaboration or integrate in-licensed product candidates. Furthermore, the development or expansion of our business may require a substantial capital investment by us.

Negative results from clinical trials or studies of others and adverse safety events involving the targets or active ingredients of our products may have an adverse impact on our future commercialization efforts.

From time to time, studies or clinical trials on various aspects of biopharmaceutical products, including a product's active ingredient, are conducted by academic researchers, competitors or others. The results of these studies or trials, when published, may have a significant effect on the market for the biopharmaceutical product that is the subject of the study. The publication of negative results of studies or clinical trials or adverse safety events related to our product candidates and active ingredient in our product candidates, or the therapeutic areas in which our product candidates compete, could adversely affect our share price and our ability to finance future development of our product candidates, and our business and financial results could be materially and adversely affected.

We face the risk of product liability claims, which could exceed our insurance coverage, and produce recalls, each of which could deplete our cash resources.

We are exposed to the risk of product liability claims alleging that use of our product candidates caused an injury or harm. These claims can arise at any point in the development, testing, manufacture, marketing or sale of our product candidates and may be made directly by patients involved in clinical trials of our product candidates, by consumers or healthcare providers or by individuals, organizations or companies selling our products. Product liability claims can be expensive to defend, even if the product or product candidate did not actually cause the alleged injury or harm.

Insurance covering product liability claims becomes increasingly expensive as a product candidate moves through the development pipeline to commercialization. We currently maintain clinical trial liability insurance coverage of $10 million. However, there can be no assurance that such insurance coverage is or will continue to be adequate or available to us at a cost acceptable to us or at all. We may choose or find it necessary under our collaborative agreements to increase our insurance coverage in the future. We may not be able to secure greater or broader product liability insurance coverage on acceptable terms or at reasonable costs when needed. Any liability for damages resulting from a product liability claim could exceed the amount of our coverage, require us to pay a substantial monetary award from our own cash resources and have a material adverse effect on our business, financial condition and results of operations. Moreover, a product recall, if required, could generate substantial negative publicity about our products and business and inhibit or prevent commercialization of other products and product candidates.

In addition, some of our licensing and other agreements with third parties require or might require us to maintain product liability insurance. If we cannot maintain acceptable amounts of coverage on commercially reasonable terms in accordance with the terms set forth in these agreements, the corresponding agreements would be subject to termination, which could have a material adverse impact on our operations.

We may not achieve our publicly announced milestones according to schedule.

From time to time, we may announce the timing of certain events we expect to occur, such as the anticipated timing of results from our clinical trials. These statements are forward-looking and are based on the best estimates of management at the time relating to the occurrence of such events. However, the actual timing of such events may differ from what has been publicly disclosed. The timing of events such as initiation or completion of a clinical trial, filing of an application to obtain regulatory approval, or announcement of additional clinical trials for a product candidate may ultimately vary from what is publicly disclosed. For example, we cannot provide assurances that the SIRPaFc phase I clinical trial will be initiated on schedule, or that we will make regulatory submissions or receive regulatory approvals as planned. These variations in timing may occur as a result of different events, including the nature of the results obtained during a clinical trial or during a research phase, problems with a CMO or a CRO or any other event having the effect of delaying the publicly announced timeline. We undertake no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. Any variation in the timing of previously announced milestones could have a material adverse effect on our business plan, financial condition or operating results and the trading price of common shares.

We are exposed to the financial risk related to the fluctuation of foreign exchange rates and the degrees of volatility of those rates.

We may be adversely affected by foreign currency fluctuations. To date, we have been primarily funded through issuances of equity, proceeds from the exercise of warrants and stock options and from interest income on funds available for investment, which are all denominated in Canadian dollars. A growing portion of our expenditures are in U.S. dollars, however, and we are, therefore, subject to foreign currency fluctuations which may, from time to time, impact our financial position and results of operations.

Risks Related to Intellectual Property

If we are unable to adequately protect and enforce our intellectual property, our competitors may take advantage of our development efforts or acquired technology and compromise our prospects of marketing and selling our key products.

We own or hold licenses to a number of U.S.-issued patents and U.S. and Canadian pending patent applications, as well as foreign patents and foreign counterparts. In the U.S., we have our own rights to ten issued patents and four pending patents. In addition, we have numerous patent applications pending in Europe, Australia and Japan. Our success will depend in part upon our ability to protect our intellectual property and proprietary technologies and upon the nature of the intellectual property protection we receive. For example, some of our patent portfolio covers primarily method of use but not composition of matter. The ability to compete effectively and to achieve partnerships will depend on our ability to develop and maintain proprietary aspects of our technology and to operate without infringing on the proprietary rights of others. The presence of such patents could severely limit our ability to develop and commercialize our products, to conduct our existing research and/or require financial resources to defend litigation,

which may be in excess of our ability to raise such funds. There is no assurance that our pending patent applications or those that we intend to acquire will be approved in a form that will be sufficient to protect our proprietary technology and gain or keep our competitive advantage.

The patent positions of pharmaceutical companies can be highly uncertain and involve complex legal, scientific and factual questions for which important legal principles remain unresolved. Patents issued to us or our respective licensors may be challenged, invalidated or circumvented. To the extent our intellectual property, including licensed intellectual property, offers inadequate protection, or is found to be invalid or unenforceable, we are exposed to a greater risk of direct competition. If our intellectual property does not provide adequate protection against our competitors' products, our competitive position could be adversely affected, as could our business, financial condition and results of operations. Both the patent application process and the process of managing patent disputes can be time consuming and expensive, and the laws of some foreign countries may not protect our intellectual property rights to the same extent as do the laws of Canada and the United States.

We will be able to protect our intellectual property from unauthorized use by third parties only to the extent that our proprietary technologies, key products and any future products are covered by valid and enforceable patents or are effectively maintained as trade secrets and provided we have the funds to enforce our rights, if necessary.

If we lose our licenses from third-party owners we may be unable to continue a substantial part of our business.

We are party to a number of licenses that give us rights to intellectual property that is necessary or useful for a substantial part of our business. Pursuant to our exclusive license agreement with UHN and HSC under which we license certain patent rights for our key products and their uses, we are required to use commercially reasonable efforts to commercialize products based on the licensed rights and pay certain royalties and sublicensing revenue to UHN and HSC. These licenses require that we pay development milestone payments, regulatory milestone payments, royalties on net and sublicensing revenues as well as annual maintenance fees.

We have also entered into agreements allowing us to manufacture SIRPaFc using Catalent's proprietary GPEx® expression system. The consideration includes payments at the time we successfully reach a series of development and sales milestones. We may also enter into licenses in the future to access additional third-party intellectual property.

If we fail to pay annual maintenance fees, development and sales milestones, or it is determined that we did not use commercially reasonable efforts to commercialize licensed products, we could lose our licenses which could have a material adverse effect on our business and financial condition.

We may require additional third-party licenses to effectively develop and manufacture our key products and are currently unable to predict the availability or cost of such licenses.

A substantial number of patents have already been issued to other biotechnology and pharmaceutical companies. To the extent that valid third-party patent rights cover our products or services, we or our strategic collaborators would be required to seek licenses from the holders of

these patents in order to manufacture, use or sell these products and services, and payments under them would reduce our profits from these products and services. We are currently unable to predict the extent to which we may wish or be required to acquire rights under such patents and the availability and cost of acquiring such rights, or whether a license to such patents will be available on acceptable terms or at all. There may be patents in the U.S. or in foreign countries or patents issued in the future that are unavailable to license on acceptable terms. Our inability to obtain such licenses may hinder or eliminate our ability to manufacture and market our products.

Changes in patent law and its interpretation could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

As is the case with other biotechnology and pharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the biopharmaceutical industry involves technological and legal complexity, and obtaining and enforcing biopharmaceutical patents is costly, time-consuming, and inherently uncertain. The U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our and our licensors' or collaborators' ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents, once obtained. Depending on decisions by the U.S. Congress, the federal courts, and the U.S. Patent and Trademark Office ("**USPTO**"), the laws and regulations governing patents could change in unpredictable ways that would weaken our and our licensors' or collaborators' ability to obtain new patents or to enforce existing patents and patents we and our licensors or collaborators may obtain in the future.

Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our and our licensors' or collaborators' patent applications and the enforcement or defense of our or our licensors' or collaborators' issued patents. On September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications are prosecuted and may also affect patent litigation. The USPTO recently developed new regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the first to file provisions, only became effective on March 16, 2013. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our or our licensors' or collaborators' patent applications and the enforcement or defense of our or our licensors' or collaborators' issued patents, all of which could have a material adverse effect on our business and financial condition.

Litigation regarding patents, patent applications and other proprietary rights may be expensive, time consuming and cause delays in the development and manufacturing of our key products.

Our success will depend in part on our ability to operate without infringing the proprietary rights of third parties. The pharmaceutical industry is characterized by extensive patent litigation. Other

parties may have, or obtain in the future, patents and allege that the use of our technologies infringes these patent claims or that we are employing their proprietary technology without authorization.

In addition, third parties may challenge or infringe upon our existing or future patents. Proceedings involving our patents or patent applications or those of others could result in adverse decisions regarding:

- the patentability of our inventions relating to our key products; and/or
- the enforceability, validity or scope of protection offered by our patents relating to our key products.

If we are unable to avoid infringing the patent rights of others, we may be required to seek a license, defend an infringement action or challenge the validity of the patents in court. For example, in 2012 we received a favorable settlement in a patent interference case initiated by the U.S. Patent & Trademark Office after which we agreed to withdraw certain pending and issued patents related to Parkinson's disease treatment in exchange for a payment of U.S.$250,000 from NeuroNova AB. Regardless of the outcome, patent litigation is costly and time consuming. In some cases, we may not have sufficient resources to bring these actions to a successful conclusion. In addition, if we do not obtain a license, develop or obtain non-infringing technology, fail to defend an infringement action successfully or have infringed patents declared invalid, we may:

- incur substantial monetary damages;
- encounter significant delays in bringing our key products to market; and/or
- be precluded from participating in the manufacture, use or sale of our key products or methods of treatment requiring licenses.

Even if we are successful in these proceedings, we may incur substantial costs and divert management time and attention in pursuing these proceedings, which could have a material adverse effect on us.

Our reliance on third parties requires us to share our trade secrets, which increases the possibility that a competitor will discover them.

Because we rely on third parties to develop our products, we must share trade secrets with them. We seek to protect our proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, consulting agreements or other similar agreements with our collaborators, advisors, employees and consultants prior to beginning research or disclosing proprietary information. These agreements typically restrict the ability of our collaborators, advisors, employees and consultants to publish data potentially relating to our trade secrets. Our academic collaborators typically have rights to publish data, provided that we are notified in advance and may delay publication for a specified time in order to secure our intellectual property rights arising from the collaboration. In other cases, publication rights are controlled exclusively by us, although in some cases we may share

these rights with other parties. We also conduct joint research and development programs which may require us to share trade secrets under the terms of research and development collaboration or similar agreements. Despite our efforts to protect our trade secrets, our competitors may discover our trade secrets, either through breach of these agreements, independent development or publication of information including our trade secrets in cases where we do not have proprietary or otherwise protected rights at the time of publication. A competitor's discovery of our trade secrets would impair our competitive position and could have a material adverse effect on our business and financial condition.

Risks Related to Our Common Shares

Our common share price has been volatile in recent years.

The market prices for securities of biopharmaceutical companies have been historically volatile, including ours. In the year ended December 31, 2013, our common shares traded on TSXV at a low of $0.140 and a high of $0.600. For the nine months ended September 30, 2014, on the TSXV/TSX our common shares traded at a high of $0.740 and a low of $0.240. A number of factors could influence the volatility in the trading price of our common shares, including changes in the economy or in the financial markets, industry related developments, the results of product development and commercialization, government regulations, and developments concerning proprietary rights, litigation and cash flow. Our quarterly losses may vary because of the timing of costs for manufacturing and initiating and completing preclinical and clinical trials. Also, the reporting of adverse safety events involving our products and public rumors about such events could cause our stock price to decline or experience periods of volatility. Each of these factors could lead to increased volatility in the market price of our common shares. In addition, changes in the market prices of the securities of our competitors may also lead to fluctuations in the trading price of our common shares.

Consolidation of our outstanding common shares could significantly reduce liquidity and could cause a decline in our market capitalization.

We have applied for a listing on the NASDAQ Stock Exchange which would require us to consolidate our outstanding common shares to meet the minimum share price requirement of the exchange. We have received approval from our shareholders to consolidate our issued and outstanding common shares on a ratio of one post-consolidation common share for each 10 to 30 outstanding pre-consolidation common shares, with the final ratio to be determined by the Board of Directors in their sole discretion.

There are numerous factors and contingencies that could affect the prices of pre-consolidation common shares and the post-consolidation common shares, including our reported financial results in future periods, and general economic, geopolitical, stock market and industry conditions. Accordingly, the market price of the post-consolidation common shares may not be sustainable at the direct arithmetic result of the share consolidation, and may be lower. If the market price of the post-consolidation common shares is lower than it was before the share consolidation on an arithmetic equivalent basis, our total market capitalization (the aggregate value of all common shares at the then market price) after the share consolidation may be lower than before the share consolidation. If the share consolidation is implemented and the market

price of the post-consolidation common shares declines, the percentage decline may be greater than would occur in the absence of the share consolidation. Furthermore, the liquidity of the post-consolidation common shares could be adversely affected by the reduced number of consolidated common shares that would be outstanding after the share consolidation.

We have never paid dividends and do not expect to do so in the foreseeable future.

We have not declared or paid any cash dividends on our common or preferred shares to date. The payment of dividends in the future will be dependent on our earnings and financial condition in addition to such other factors as our Board of Directors considers appropriate. Unless and until we pay dividends, shareholders may not receive a return on their shares. There is no present intention by our Board of Directors to pay dividends on our shares.

Future sales or issuances of equity securities and the conversion of outstanding securities to common shares could decrease the value of the common shares, dilute investors' voting power and reduce our earnings per share.

We may sell additional equity securities in future offerings, including through the sale of securities convertible into equity securities, to finance operations, acquisitions or projects, and issue additional common shares if outstanding warrants or stock options are exercised, or preferred shares are converted to common shares, which may result in dilution. See the information under the heading Liquidity and Capital Resources for details of our outstanding securities convertible into common shares. We filed a base shelf prospectus with securities commissions in Canada on May 26, 2014 that provides that we may sell under the prospectus from time to time over the following 25 months up to $50 million, in one or more offerings, of common shares, First Preferred shares, warrants to purchase common shares, or units comprising common shares, First Preferred shares and warrants. Subject to receipt of any required regulatory approvals, subscribers of the December 2013 private placement who purchased a minimum of 10% of the securities sold under the offering received rights to purchase our securities in future financings to enable each such shareholder to maintain their percentage holding in our common shares for so long as the subscriber holds at least 10% of the outstanding common shares on a fully-diluted basis. Shareholders who do not have this future financing participation right may be disadvantaged in participating in such financings.

Our Board of Directors has the authority to authorize certain offers and sales of additional securities without the vote of, or prior notice to, shareholders. Based on the need for additional capital to fund expected expenditures and growth, it is likely that we will issue additional securities to provide such capital. Such additional issuances may involve the issuance of a significant number of common shares at prices less than the current market price for our common shares.

Sales of substantial amounts of our securities, or the availability of such securities for sale, as well as the issuance of substantial amounts of our common shares upon conversion of outstanding convertible equity securities, could adversely affect the prevailing market prices for our securities and dilute investors' earnings per share. A decline in the market prices of our securities could impair our ability to raise additional capital through the sale of securities should we desire to do so.

Judgments based upon the civil liability provisions of the United States federal securities laws may be difficult to enforce.

The ability of investors to enforce judgments of United States courts based upon the civil liability provisions of the United States federal securities laws against us, our directors and our officers may be limited due to the fact that we are incorporated outside of the United States and that certain directors and officers reside outside of the United States and their assets may be located outside the United States. There is uncertainty as to whether foreign courts would either enforce judgments of United States courts obtained against us, our directors or our officers predicated upon the civil liability provisions of the United States federal securities laws or entertain original actions brought in Canadian courts against us or such persons predicated upon the federal securities laws of the United States, as such laws may conflict with Canadian laws.

We are likely a "passive foreign investment company", which may have adverse U.S. federal income tax consequences for U.S. shareholders.

U.S. investors should be aware that we believe we were classified as a passive foreign investment company ("**PFIC**") during the tax year ended December 31, 2013, and based on current business plans and financial expectations, we expect that we will be a PFIC for the current tax year and may be a PFIC in future tax years. If we are a PFIC for any year during a U.S. shareholder's holding period, then such U.S. shareholder generally will be required to treat any gain realized upon a disposition of our common shares, or any so-called "excess distribution" received on common shares, as ordinary income, and to pay an interest charge on a portion of such gain or distributions, unless the shareholder makes a timely and effective "qualified electing fund" election ("**QEF Election**") or a "mark-to-market" election with respect to our shares. A U.S. shareholder who makes a QEF Election generally must report on a current basis its share of our net capital gain and ordinary earnings for any year in which we are a PFIC, whether or not we distribute any amounts to our shareholders. A U.S. shareholder who makes the mark-to-market election generally must include as ordinary income each year the excess of the fair market value of the common shares over the shareholder's basis therein. There is no assurance that we will provide U.S. investors with the information required in order to make a QEF Election. This paragraph is qualified in its entirety by the discussion in our Form 20-F filed on Edgar under the heading "Item 6.E. United States Federal Income Taxation." Each U.S. shareholder should consult its own tax advisors regarding the PFIC rules and the U.S. federal income tax consequences of the acquisition, ownership, and disposition of our common shares.

RESULTS OF OPERATIONS

For the three and nine months ended September 30, 2014 and 2013

Since inception, the Company has incurred losses while advancing the research and development of its products. Net loss for the three months ended September 30, 2014 of $2,526,527 exceeded the loss of $1,294,820 for the same period in 2013 due mainly to higher costs for SIRPaFc development, personnel, share-based compensation expense for stock options, and share listing and professional fees. Net loss for the nine months ended September 30, 2014 of $8,666,958

exceeded the loss of $3,007,085 for the same period in 2013 due mainly to the inclusion of Trillium Privateco results for nine months in 2014, including personnel and the SIRPaFc program costs, compared to approximately six months in 2013, higher share-based compensation on the issuance of stock options and deferred share units ("**DSUs**"), higher professional fees, and due to the impairment loss on the return of the tigecycline rights to UHN.

Research and Development

Components of research and development expenses for the three months ended September 30 were as follows:

	2014	2013
	$	$
Research and development programs excluding the below items	**1,419,374**	595,472
Salaries, fees and short-term benefits	**543,665**	364,499
Share-based compensation	**244,552**	26,487
Amortization of intangible assets	**84,837**	202,471
Depreciation of property and equipment	**11,649**	5,175
Tax credits	**(214,100)**	(141,057)
	2,089,977	1,053,047

Components of research and development expenses for the nine months ended September 30 were as follows:

	2014	2013
	$	$
Research and development programs excluding the below items	**3,242,449**	1,009,308
Salaries, fees and short-term benefits	**1,593,041**	847,182
Share-based compensation	**1,367,829**	184,928
Amortization of intangible assets	**525,939**	412,228
Impairment of intangible assets	**429,763**	-
Depreciation of property and equipment	**31,779**	9,600
Tax credits	**(429,939)**	(188,467)
	6,760,861	2,274,779

The Company's research and development expenses consist primarily of personnel-related costs, manufacturing and pre-clinical study services costs for external service providers, patent fees, share-based compensation and amortization of intangible assets.

The increase in program costs in the three months ended September 30, 2014 was due mainly to an increase in SIRPaFc expenses of $1,042,823 related to manufacturing and preclinical studies, partially offset by lower patent costs due to discontinued technologies. Personnel costs increased due to higher staffing and salaries compared to 2013. Share-based compensation was higher due

to a larger number of options issued in 2014 compared to the prior year period. After a review of the tigecycline program, we returned the rights to UHN and recorded an impairment loss of $429,763 in the second quarter of 2014. R&D tax credits recorded were $214,100 for the third quarter of 2014 commensurate with the higher level of development activity compared to the prior period.

The increase in research and development expenses for the nine months ended September 30, 2014 over the prior year period was due mainly to the inclusion of Trillium Privateco in 2014 for nine months compared to just under six months in 2013. Program costs increased for the nine months ended September 30, 2014 due mainly to an increase in SIRPaFc expenses of $1,978,203 related to manufacturing and preclinical studies, an increase in tigecycline costs of $284,019, and costs for our laboratory and office space for three additional months. Personnel costs increased due mainly to Trillium Privateco's research and development staff for nine months in 2014 compared to six months in 2013. Share-based compensation was higher due to a larger number of options issued in 2014 compared to the same period last year. Non-cash intangible asset related costs were higher from nine months of amortization in 2014 compared to six months in 2013, and the recording of the impairment loss of $429,763 in the second quarter of 2014 on the return of the tigecycline rights. R&D tax credits recorded were $429,939 for the nine months ended September 30, 2014 commensurate with the higher level of development activity compared to the prior period.

General and Administrative

Components of general and administrative expenses for the three months ended September 30 were as follows:

	2014	2013
	$	$
General and administrative expenses excluding the below items	**253,427**	137,958
Salaries, fees and short-term benefits	**185,282**	69,447
Share-based compensation	**61,363**	16,515
	500,072	223,920

Components of general and administrative expenses for the nine months ended September 30 were as follows:

	2014	2013
	$	$
General and administrative expenses excluding the below items	**1,017,064**	444,680
Salaries, fees and short-term benefits	**495,908**	194,728
DSUs issued for director compensation	**240,000**	-
Share-based compensation	**384,642**	92,113
	2,137,614	731,521

General and administrative expenses consist mainly of professional fees, personnel costs related to corporate activities including directors' fees, costs for shareholder-related activities including investor relations, stock exchange fees and share-based compensation.

General and administrative costs for the three months ended September 30, 2014 were higher than the comparable prior year period due mainly to higher professional fees. Personnel costs increased due mainly to higher directors' fees and full-time administrative staff in 2014. Share-based compensation was higher than the comparable periods due mainly to a larger number of options issued in 2014.

General and administrative costs for the nine months ended September 30, 2014 were higher than the comparable prior year period due mainly to listing fees on graduation to the TSX of $162,000 and higher professional fees. Personnel costs increased due mainly to higher directors' fees and full-time administrative staff in 2014. Share-based compensation was higher than the comparable periods due mainly to a larger number of options issued in 2014 and payment of directors' fees in the form of DSUs in 2014.

Finance income and costs

Finance income for the three and nine months ended September 30, 2014 was higher than the prior year comparable periods due mainly to investment income earned on higher cash and marketable securities balances in 2014.

Finance costs for the three and nine months ended September 30, 2014 were higher than the comparable period due mainly to interest accretion related to the loan payable and long-term liability.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, we have financed our operations primarily from sales of equity, proceeds from the exercise of warrants and stock options, and from interest income on funds available for investment.

Our primary capital needs are for funds to support our scientific research and development activities including manufacturing, preclinical and clinical trials, administrative costs and for working capital.

We have experienced operating losses and cash outflows from operations since incorporation, will require ongoing financing in order to continue our research and development activities, and we have not earned significant revenue or reached successful commercialization of our products. Our future operations are dependent upon our ability to finance our cash requirements which will allow us to continue our research and development activities and the commercialization of our products. There can be no assurance that we will be successful in continuing to finance our operations.

We filed a base shelf prospectus with the British Columbia, Alberta, Manitoba, Ontario and Nova Scotia securities commissions in Canada on May 26, 2014 that provides that we may sell under the prospectus from time to time over the following 25 months up to $50 million, in one or

more offerings, of common shares, First Preferred shares, warrants to purchase common shares, or units comprising common shares, First Preferred shares and warrants.

We believe we have sufficient resources available to support our activities for at least the next 12 months of operations.

There are a significant number of warrants outstanding, some of which are in-the-money and may provide future liquidity.

Our cash and marketable securities totaled $28,259,868 at September 30, 2014 compared to $32,983,104 at December 31, 2013. As at September 30, 2014, our working capital of $27,825,234 was lower compared to the amount of $32,772,281 at December 31, 2013 mainly due to cash used in operations for development programs. Accounts payable and accrued liabilities as at September 30, 2014 were $1,358,761 compared to $669,860 at December 31, 2013. The increase in accounts payable was due mainly to higher development costs and professional fees. Amounts receivable as at September 30, 2014 were $468,307 compared to $427,234 at December 31, 2013. The increase in amounts receivable was due mainly to the recording of expected refundable scientific research and development tax credits for the nine months ended September 30, 2014 partly offset by harmonized sales tax refunds received in the period.

We are indebted to the Federal Economic Development Agency for Southern Ontario under a non-interest-bearing contribution agreement dated February 1, 2012. The period of contribution ended on December 31, 2013. As at December 31, 2013, we had repayable contributions of $575,139 representing the outstanding principal balance, repayable in equal monthly installments for 60 months beginning on December 1, 2014. The loan payable bears no interest. On the acquisition of Trillium Privateco, the fair value of the loan payable was determined by discounting the loan payable using an estimated market interest rate of 15%. Interest expense accretes on the discounted loan amount until it reaches its face value at maturity.

We have a long-term liability of $66,870 related to certain discontinued technologies. This liability has been discounted using an estimated market interest rate of 15% and interest expense is accreting.

As at September 30, 2014 and in the normal course of business, we had obligations to make future payments, representing research and development contracts and other commitments that are known and committed in the amount of $3,735,000 over the next 12 months, $98,000 from 12 to 24 months, $25,000 from 24-36 months, and $25,000 each year thereafter.

We enter into research, development and license agreements in the ordinary course of business where we receive research services and rights to proprietary technologies. Milestone and royalty payments that may become due under various agreements are dependent on, among other factors, clinical trials, regulatory approvals and ultimately the successful development of a new drug, the outcome and timing of which is uncertain. Under the license agreement for SIRPaFc, we have future contingent milestones payable of $60,000 related to successful patent grants, and $100,000, $200,000 and $300,000 payable on the first patient dosed in phase I, II and III trials respectively. The regulatory milestone payments amount to $1 million on each of the submission of a first BLA in the U.S. and receipt of first regulatory approval in the U.S. and proportionate

payments in other territories worldwide. The aggregate milestones payable on their first achievement under the agreement in the major markets of the U.S., Europe and Asia combined are $5,660,000. Under the license agreement, Trillium is required to pay 20% of any sublicensing revenues to the licensors on the first $50 million of sublicensing revenues, and pay 15% of any sublicensing revenues to the licensors after the first $50 million of sublicensing revenue received.

We entered into two agreements with Catalent in August 2014 pursuant to which Trillium acquired the right to use a proprietary expression system for the manufacture of two SIRPaFc constructs. Consideration for each license includes potential pre-marketing approval milestones of up to U.S. $875,000 and aggregate sales milestone payments of up to U.S. $28.8 million.

We periodically enter into research and license agreements with third parties that include indemnification provisions customary in the industry. These guarantees generally require us to compensate the other party for certain damages and costs incurred as a result of claims arising from research and development activities undertaken by or on our behalf. In some cases, the maximum potential amount of future payments that could be required under these indemnification provisions could be unlimited. These indemnification provisions generally survive termination of the underlying agreement. The nature of the indemnification obligations prevents us from making a reasonable estimate of the maximum potential amount it could be required to pay. Historically, we have not made any indemnification payments under such agreements and no amount has been accrued in our interim condensed consolidated financial statements with respect to these indemnification obligations.

We have experienced operating losses and cash outflows from operations since incorporation, we will require ongoing financing in order to continue our research and development activities, and we have not earned significant revenue or reached successful commercialization of our products. Our future operations are dependent upon our ability to finance our cash requirements which will allow us to continue our research and development activities and the commercialization of our products. There can be no assurance that we will be successful in continuing to finance our operations.

Share Capital

The continuity of the number of issued and outstanding common and preferred shares of the Company for the year ended December 31, 2013, for the nine months ended September 30, 2014 and to the date of this MD&A is presented below:

	Number of Preferred Shares	Number of Common Shares
Balance December 31, 2012	-	186,619,359
Consolidation 1 for 10	-	(167,957,423)
Issued in March 2013 financing	-	12,735,000
Issued on merger with Trillium Privateco	-	6,079,180
Issued for technology rights	-	5,028,571
Issued in December 2013 financing	77,895,165	79,247,693
Balance December 31, 2013	77,895,165	121,752,380
Issued on exercise of stock options	-	78,400
Issued on exercise of warrants	-	2,596,251
Preferred shares converted to common shares	(3,570,476)	3,570,476
Balance at September 30, 2014	74,324,689	127,997,507
Preferred shares converted to common shares	(420,000)	420,000
Balance at the date of this MD&A	73,904,689	128,417,507

Share capital issued – nine months ended September 30, 2014

During the nine months ended September 30, 2014, 2,596,251 warrants were exercised for proceeds of $946,813 and 78,400 stock options were exercised for proceeds of $19,600. Also, 909,091 warrants issued March 14, 2011 with an exercise price of $1.60 expired unexercised.

During the nine months ended September 30, 2014, 3,570,476 Series I First Preferred Shares were converted into common shares.

Share capital issued – for the year ended December 31, 2013

We consolidated our outstanding common shares issuing one post-consolidated share for each 10 pre-consolidated shares and the common shares began trading on a post-consolidated basis on February 6, 2013.

In March 2013, we completed an offering pursuant to a base shelf prospectus and prospectus supplement and in the U.S. pursuant to a private placement memorandum for a total of 12,735,000 units at a price of $0.25 per unit, for aggregate gross proceeds of $3,185,080 ($2,615,240 net of issuance costs). Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of $0.40 per share at any time prior to expiry on March 15, 2018 (12,315,000 warrants) and March 27, 2018 (420,000 warrants). In connection with the financing, we issued 814,051 compensation warrants having an aggregate fair value of $48,843 estimated using the Black-

Scholes option pricing model. Each compensation warrant entitles the holder to acquire one common share at an exercise price of $0.25 per share prior to expiry on March 16, 2015.

The allocation of the $0.25 common share unit issue price to the common shares and unit warrants was based on the relative fair values of the common shares and the warrants. The fair value of the warrants was determined using the Black-Scholes option pricing model. The common shares were allocated a price of $0.20 per share and the warrants were allocated a price of $0.05 per warrant. The costs of the issue were allocated on a pro rata basis to the common shares and warrants. Accordingly, $2,092,192 was allocated to common shares and $523,048 to warrants, net of issuance costs. Assumptions used to determine the value of the unit warrants were: dividend yield of 0%; risk-free interest rate of 1.1%; expected volatility of 64%; and average expected life of 3 years. Assumptions used to determine the value of the compensation warrants were: dividend yield of 0%; risk-free interest rate of 1.0%; expected volatility of 80%; and average expected life of 2 years.

On April 9, 2013, we issued 6,079,180 common shares and 3,300,000 common share purchase warrants for partial consideration for the acquisition of Trillium Privateco.

On April 16, 2013, we issued 5,028,571 common shares and 1,600,000 common share purchase warrants as consideration for the acquisition of certain rights related to tigecycline from UHN.

On December 13, 2013, we completed a private placement of 79,247,693 common share units (each common share unit consisting of one common share and three-quarters of a common share purchase warrant) at a price of $0.21 per unit and 77,895,165 preferred share units (each preferred share unit consisting of one Series I First Preferred Share and three-quarters of a common share purchase warrant) at a price of $0.21 per unit for gross proceeds of $32,866,025 ($30,713,841 net of issuance costs). Each whole warrant entitles the holder to purchase one common share at a price of $0.28 at any time prior to expiry on December 13, 2018. In connection with the financing, we issued 5,014,839 compensation warrants having an aggregate fair value of $651,929 estimated using the Black-Scholes option pricing model. Each compensation warrant entitles the holder to acquire one common share at an exercise price of $0.21 per share prior to expiry on December 13, 2015.

The allocation of the $0.21 unit issue price to the common shares, Series I First Preferred Shares and unit warrants was based on the relative fair values of the common shares, Series I First Preferred Shares and the warrants. The fair value of the warrants was determined using the Black-Scholes option pricing model. The common shares were allocated a price of $0.16 per share, the Series I First Preferred Shares were allocated a price of $0.16 per share, and the warrants were allocated a price of $0.05 per three-quarter warrant. The costs of the issue were allocated on a pro rata basis. Accordingly, $11,488,602 was allocated to common shares, $11,292,525 to the Series I First Preferred Shares and $7,932,714 to warrants, net of issuance costs. Assumptions used to determine the value of the unit warrants were: dividend yield of 0%; risk-free interest rate of 1.2%; expected volatility of 70%; and average expected life of 3 years. Assumptions used to determine the value of the compensation warrants were: dividend yield of 0%; risk-free interest rate of 1.1%; expected volatility of 66%; and average expected life of 2 years.

All securities issued under the offering (including the compensation warrants) in Canada were subject to a four-month hold and resale restrictions under Canadian securities law, and in the United States are subject to statutory resale restrictions under U.S. securities laws.

In the December 2013 private placement, subscribers who purchased preferred share units and certain subscribers who purchased common share units were subject to restrictions on the conversion and exercise of securities of ours convertible into common shares. Such subscribers cannot convert or exercise securities of ours convertible or exercisable into common shares if, after giving effect to the exercise of conversion, the subscriber and its joint actors would have beneficial ownership or direction or control over common shares in excess of 4.99% of the then outstanding common shares. This limit may be increased at the option of the subscriber on 61 days prior written notice: (i) up to 9.99%, (ii) up to 19.99%, subject to stock exchange clearance of a personal information form submitted by the subscriber, and (iii) above 19.99%, subject to stock exchange approval and shareholder approval.

Subject to receipt of any required regulatory approvals, subscribers who purchased a minimum of 10% of the securities sold under the offering have been given rights to purchase securities of ours in future financings to enable each such subscriber to maintain its percentage holding in us for so long as the subscriber holds at least 10% of the outstanding common shares on a fully-diluted basis.

Warrants

The continuity of the number of issued and outstanding warrants for the year ended December 31, 2013, for the nine months ended September 30, 2014 and to the date of this MD&A is presented below:

	Number of Warrants
Balance December 31, 2012	10,363,636
Consolidation 1 for 10	(9,327,272)
Issued in March 2013 financing	13,549,051
Expired	(127,273)
Issued on merger with Trillium Privateco	3,300,000
Issued for technology rights	1,600,000
Issued in December 2013 financing	122,871,981
Balance December 31, 2013	142,230,123
Exercised	(2,596,251)
Expired	(909,091)
Balance at September 30, 2014 and the date of this MD&A	138,724,781

Warrants outstanding at September 30, 2014 were as follows:

Expiry dates	Number of Warrants	Exercise Price
March 16, 2015	202,800	$0.25
December 13, 2015	5,014,839	$0.21
March 15, 2018	15,230,000	$0.40
March 27, 2018	420,000	$0.40
December 13, 2018	117,857,142	$0.28
Total	138,724,781	

Stock Options

The Company has a 10% rolling stock option plan (the "**2014 Stock Option Plan**") that was approved by the Company's shareholders at its annual general meeting held on May 27, 2014. Pursuant to the 2014 Stock Option Plan, the Company may grant stock options to purchase up to an aggregate of 10% of the Company's issued and outstanding common shares plus 10% of the total number of common shares into which the outstanding Series I First Preferred Shares may be converted.

The continuity of the number of issued and outstanding stock options for the year ended December 31, 2013, for the nine months ended September 30, 2014 and to the date of this MD&A is presented below:

	Number of Options	Weighted Average Exercise Price
Balance December 31, 2012	700,000	$ 1.03
Granted	2,623,597	0.25
Cancelled/forfeited	(402,500)	1.02
Balance December 31, 2013	2,921,097	0.33
Granted	14,996,578	0.33
Exercised	(78,400)	0.25
Cancelled/ forfeited	(115,000)	0.35
Balance at September 30, 2014 and the date of this MD&A	17,724,275	$ 0.33

Deferred Share Unit Plan

Our shareholders approved the 2014 Deferred Share Unit Plan (the "**2014 DSU Plan**") on May 27, 2014. The 2014 DSU Plan is intended to promote a greater alignment of long-term interests between non-executive directors and executive officers of the Company and its shareholders through the issuance of DSUs. Since the value of a DSU increases or decreases with the market price of the common shares, DSUs reflect a philosophy of aligning the interests of directors and executive officers with those of the shareholders by tying compensation to share price performance. The Board of Directors intends to use DSUs issued under the 2014 DSU Plan, as well as stock options issued under the 2014 Stock Option Plan, as part of the Company's overall director and executive officer compensation program. A total of 863,310 units were issued during the nine months ended September 30, 2014 for payment of directors' fees and were outstanding as at September 30, 2014. The Company has reserved for issuance up to 2,000,000 common shares under the 2014 DSU Plan.

Shareholder Rights Plan

On October 17, 2013 our shareholders adopted a shareholder rights plan (the "**2013 Rights Plan**") and approved certain amendments on May 27, 2014 (the "**Rights Plan Amendment**" which together with the 2013 Rights Plan may be referred to as the "**Rights Plan**"). The Rights Plan is designed to provide adequate time for the Board of Directors and the shareholders to assess an unsolicited takeover bid for the Company, to provide the Board of Directors with sufficient time to explore and develop alternatives for maximizing shareholder value if a takeover bid is made, and to provide shareholders with an equal opportunity to participate in a takeover bid and receive full and fair value for their common shares. The Rights Plan will expire at the close of the Company's annual meeting of shareholders in 2016.

The rights issued under the Rights Plan initially attach to and trade with the common shares and no separate certificates will be issued unless an event triggering these rights occurs. The rights will become exercisable only when a person, including any party related to it, acquires or attempts to acquire 20% or more of the outstanding common shares without complying with the "Permitted Bid" provisions of the Rights Plan or without approval of the Board of Directors. Should such an acquisition occur or be announced, each right would, upon exercise, entitle a rights holder, other than the acquiring person and related persons, to purchase common shares at an approximate 50% discount to the market price at the time.

Under the Rights Plan, a Permitted Bid is a bid made to all holders of the common shares and which is open for acceptance for not less than 60 days. If at the end of 60 days at least 50% of the outstanding common shares, other than those owned by the offeror and certain related parties have been tendered, the offeror may take up and pay for the common shares but must extend the bid for a further 10 days to allow other shareholders to tender. The issuance of common shares upon the exercise of the rights is subject to receipt of certain regulatory approvals.

Related Parties

For the nine months ended September 30, 2014 and 2013, the key management personnel of the Company were the Board of Directors, former Executive Chairman, Chief Executive Officer, Chief Financial Officer, Chief Scientific Officer and Vice-President Drug Development.

Compensation for key management personnel of the Company for the nine months ended September 30 was as follows:

	2014	2013
	$	$
Salaries, fees and short-term benefits	**1,340,397**	601,034
Share-based compensation	**1,971,926**	270,660
	3,312,323	871,694

Executive officers and directors participate in the 2014 Stock Option Plan and the 2014 DSU Plan, and officers participate in the Company's benefit plans. Directors receive annual fees for their services. As at September 30, 2014, the key management personnel controlled approximately 1% of the voting shares of the Company.

Outstanding balances with related parties at the period-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the nine months ended September 30, 2014 and 2013, $7,916 and $31,667, respectively, was paid to a former director for consulting fees.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires us to select from possible alternative accounting principles and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date, and reported costs and expenditures during the reporting period. Management believes that the estimates and assumptions upon which the Company relies are reasonable based upon information available at the time these estimates and assumptions are made. Estimates and assumptions may be revised as new information is acquired, and are subject to change. A summary of our significant accounting policies and estimates under IFRS is found in note 3 of our audited consolidated financial statements for the year ended December 31, 2013.

Management believes that its most critical accounting policies and estimates relate to the following areas:

Valuation of share-based compensation and warrants

Management measures the costs for share-based compensation and warrants using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, expected risk-free interest rate, future employee turnover rates, future exercise behaviors and corporate performance. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based payments and warrants.

Impairment of long lived assets

The Company periodically reviews the useful lives and the carrying value of its long-lived assets. Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the asset may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or cash-generating unit.) An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. We evaluate impairment losses for potential reversals when events or circumstances warrant such consideration.

Intangible assets

Intangible assets that are acquired and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use in the manner intended by management. The period that the technologies acquired in the Trillium Privateco merger are available for use is estimated at three years which reflects management's intent about developing and commercializing the assets.

Internal Controls Over Financial Reporting

As a result of our limited administrative staffing levels, internal controls which rely on segregation of duties in many cases are not possible. Due to resource constraints and the present stage of the Company's development, we do not have sufficient size and scale to warrant the hiring of additional staff to address this potential weakness at this time. To help mitigate the impact of this, we are highly reliant on the performance of compensating procedures and senior management's review and approval. No change in the Company's internal control over financial reporting occurred during the nine months ended September 30, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Accounting Policies

The Company's significant accounting policies were outlined in our annual audited consolidated financial statements for the year ended December 31, 2013 and have been applied consistently to all periods presented in these unaudited interim condensed consolidated financial statements, except as described below in new standards and interpretations adopted during 2014. These statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2013.

New standards and interpretations adopted during 2014

IAS 32 *Financial Instruments: Presentation*

The amendments to IAS 32, *Financial Instruments: Presentation* ("**IAS 32**"), clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014, with retrospective application required. The adoption of these amendments did not have a material impact on the interim condensed consolidated financial statements.

IFRIC 21 *Levies*

In May 2013, International Financial Reporting Standards Interpretations Committee Interpretation 21, Levies ("**IFRIC 21**") was issued. IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by a government that is accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is to be applied retrospectively. The Company adopted IFRIC 21 in its consolidated financial statements for the annual period beginning on January 1, 2014. The adoption did not have a material impact on the interim condensed consolidated financial statements.

IAS 36 *Impairment of Assets*

In May 29, 2013, the IASB published amendments to IAS 36, *Impairment of Assets* which reduce the circumstances in which the recoverable amount of cash-generating units is required to be disclosed and clarifies the disclosures required when an impairment loss has been recognized or reversed in the period. This amendment is effective for annual periods beginning on or after January 1, 2014. The Company adopted the IAS 36 amendments in its consolidated financial statements for the annual period beginning on January 1, 2014. The adoption did not have a material impact on the interim condensed consolidated financial statements.

New standards and interpretations not yet effective

IFRS 9 *Financial Instruments*

In October 2010, the IASB published amendments to IFRS 9 which provides added guidance on the classification and measurement of financial liabilities. In July 2014, the IASB issued its final version of IFRS 9, which completes the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. The final standard is mandatorily effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently monitoring the developments of this standard and assessing the impact that the adoption of this standard may have on the interim condensed consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The Company is reviewing the standard to determine the impact on the interim condensed consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's interim condensed consolidated financial statements. The Company assesses the impact of adoption of future standards on its interim condensed consolidated financial statements, but does not anticipate significant changes in 2014.

SELECTED QUARTERLY FINANCIAL INFORMATION

2014		Q3-2014 $	Q2-2014 $	Q1-2014 $
Net loss for the period		2,526,527	4,100,371	2,040,060
Loss per share*		0.02	0.03	0.02
Cash		27,754,378	30,041,001	31,864,387

2013	Q4-2013 $	Q3-2013 $	Q2-2013 $	Q1-2013 $
Net loss for the period	1,282,223	1,294,820	1,376,687	335,578
Loss per share*	0.02	0.03	0.03	0.02
Cash	32,456,506	2,661,941	2,192,059	4,057,983

2012	Q4-2012 $	Q3-2012 $	Q2-2012 $	Q1-2012 $
Net loss for the period	10,301	404,756	315,329	331,116
Loss per share*	0.00	0.02	0.02	0.02
Cash	1,375,015	1,573,663	1,853,235	2,156,146

***Note**: Loss per share has been calculated for all periods shown on a post-share consolidation basis.

Losses from Q1-2012 through Q1-2013 reflected lower development and administrative activities as we searched for new technologies. The Q4-2012 loss was lower due to the settlement of a patent interference for gross proceeds to us of US$250,000. The Q2-2013 through Q1-2014 losses increased as a result of the merger with Trillium Privateco and the subsequent activities related primarily to advancing the SIRPaFc development program. The loss for Q2-2014 was higher due mainly to higher non-cash share-based compensation and the recognition of an impairment charge on return of the tigecycline rights back to UHN. The higher loss for Q3-2014 compared to Q1-2014 was due mainly to higher research and development program costs.

Additional Information

Additional information for Trillium can be found on SEDAR at www.sedar.com.