



This is the 1st affidavit of
M. Carlyle in this case and was
made on June 13, 2013

No. B-130695
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE PROPOSAL OF ALLON THERAPEUTICS, INC.

AFFIDAVIT

I, Matthew Carlyle, of 506-1168 Hamilton Street, Vancouver, BC V6B 2S2, Accountant,
SWEAR THAT:

1. I am the Chief Financial Officer of Allon Therapeutics, Inc. ("Allon" or the "Company") the Petitioners in this proceeding and as such I have personal knowledge of the matters deposed to in this Affidavit except where I depose to a matter based on information from an informant I identify in which case I believe that both the information from the informant and the resulting statement are true.

2. Allon is incorporated under the *Canada Business Corporations Act* (the "CBCA") and is a clinical-stage biotechnology company developing treatments for major neuro-degenerative conditions based on two proprietary technology platforms.

3. Allon has a wholly-owned subsidiary located in the United States, Allon Therapeutics, Inc. ("Allon US"), which is governed pursuant to the laws of Delaware.

Allon's Clinical Studies

4. Over the last two years, Allon has been primarily focused on the development of its lead candidate drug, Davunetide, designed for the treatment of a condition known as progressive supranuclear palsy ("PSP"). Davunetide is Allon's most clinically-advanced product

but has not yet received regulatory approval for marketing and sale. Allon's other products are in much earlier stages of the drug development process and require a number of further trials (and regulatory approvals) prior to being eligible for marketing and sale.

5. Prior to 2010, Allon had performed a number of clinical trials of Davunetide in the United States and Canada to determine the safety and efficacy of the compound in compliance with regulatory requirements. In order to facilitate Allon's application for regulatory approval to sell and market Davunetide, Allon was required to conduct a clinical trial to establish the efficacy and safety of the drug in patients suffering from PSP (the "PSP Trial"). Commencing in the fourth quarter of 2010, the Company began coordinating the PSP Trial and by October 2011 Allon had enrolled over 300 patients to participate in the PSP Trial.

6. The PSP Trial was also designed to examine a series of secondary and other exploratory endpoints to determine if Davunetide had any positive impact on those endpoints, which might impact future development.

Potential Partnership Opportunities

7. Both during and prior to the start of the PSP Trial, Allon sought out partnerships and joint venture opportunities with global pharmaceutical companies, regional neurology specialty companies, and companies focused on the orphan drug space. The orphan designation can be granted to drugs that target rare diseases. Allon engaged in detailed discussions with approximately twelve companies and invited them to conduct due diligence. Ultimately however, no credible offers resulted from these discussions.

8. Allon was advised that certain of the companies were prepared to re-examine potential deal structures if the results of the PSP Trial were positive.

9. During the PSP Trial, Allon raised approximately CDN \$15 million through considerable effort and meetings with investors in Europe, the U.S., and Canada. It was clear from these interactions, as well as discussions with various investment banks, that in the face of negative results from the PSP Trial, Allon would be essentially un-financeable.

Results of the PSP Trial

10. On December 18, 2012 the Company announced that the PSP Trial failed to demonstrate efficacy in the study group, based on the co-primary endpoints. Upon learning about these results, the Company conducted additional data analysis in the subsequent weeks. However, this analysis did not show any further efficacy or provide any greater clarity as to why the PSP Trial failed.

11. In addition, the results of the PSP Trial did not demonstrate any evidence of drug effect on the secondary or exploratory endpoints examined in that trial. The secondary and exploratory endpoints were included in the study to provide supporting data for the primary endpoints and information that could guide future development.

12. Attached hereto and marked as **Exhibit "A"** is a copy of the news release issued by Allon, dated December 18, 2012, announcing the results of the PSP Trial.

Allon's Strategic Review of its Clinical Operations

13. Following the failure of the PSP Trial, the Company commenced an evaluation of its strategic options and ceased funding any further research and development activities for Davunetide. Beginning in January 2013, the Company examined all reasonable options, including potential merger or acquisition transactions, selling Allon's assets and securing additional financing.

14. Based on its circumstances at that time, Allon undertook a broad assessment of these options and focused its efforts on locating parties interested in pursuing further work on the data and samples generated during the PSP Trial, or interested in acquiring Allon's pipeline products and/or its intellectual property portfolio generally.

15. Over the course of the next four months, Allon had discussions with approximately 20 interested parties. During this time, the Company continued to incur operating costs and faced declining liquidity as a result. As a result, the Company took immediate action

to reduce its on-going operating expenses, including laying off a number of employees. Currently, the Company has six employees and as of June 15, 2013, will have four employees.

16. Although a number of those interested parties discussed potential opportunities with Allon, some of which conducted due diligence, none of them were interested in pursuing a transaction with Allon for a number of reasons, including:

- (a) the negative results of the PSP Trial and commercialization risks associated with Davunetide;
- (b) the requirement for additional capital raising to support further development of Davunetide and other pipeline products; and
- (c) the timeline required to effect a transaction given the Company's declining financial position.

17. In addition, Allon held discussions with several advisors and investment banks which had been previously contacted to seek assistance in locating potential buyers for some or all of the assets of the Company. Allon was advised by certain of the investment banks that had been previously contacted that Allon's options were limited as a result of the PSP Trial results. A number of the investment banks offered to assist with the search for potential partners, but stated openly that such a transaction was unlikely.

18. Following these discussions, it became clear that in light of the PSP Trial results and Allon's deteriorating financial circumstances that Allon was facing the prospect of bankruptcy. At that time, Allon's liabilities were far greater than its assets and Allon had little prospect of earning any revenue from its products in a timely manner.

19. In the spring of 2013, Allon progressed to an advanced stage of negotiations with two of the companies it had initially approached in early 2013. In respect of one company (the "**Potential Bidder**"), despite advanced negotiations and due diligence being undertaken, the Company had concerns over the ability of the Potential Bidder to effect a transaction within the

timelines required. In addition, after further attempts to progress discussions, the Potential Bidder was ultimately not able or willing to proceed with a transaction.

20. On May 28, 2013 the Company entered into an agreement with Paladin Labs Inc. (“**Paladin**”) to sell the Company for \$900,000 provided that, among other things, Allon filed a proposal under the *Bankruptcy and Insolvency Act* (“**BIA**”) (the “**Paladin Transaction**”).

21. In considering Allon’s circumstances at that time, including the lack of alternative transactions available and Allon’s liabilities and diminishing cash resources, Allon considered that it was in the best interests of the Company to enter into the Paladin Transaction.

The Paladin Transaction

22. The Paladin Transaction will, in summary and generally speaking, effect a reorganization of the share capital of Allon which, if all of the conditions precedent are satisfied, will result in the cancellation of all existing Allon shares for \$1 and the issuance of new shares to Paladin or its designee in exchange for payment of \$900,000 to Allon. If the Paladin Transaction completes, Paladin will own all of the new issued and outstanding shares of Allon.

23. A number of conditions precedent are outlined in the Paladin Transaction, including the following:

- (a) Reorganization of Allon’s share capital pursuant to section 191 of the CBCA, including the redemption and purchase for cancellation by Allon of all current issued and outstanding shares in its share capital;
- (b) Filing of a proposal under the BIA and obtaining all statutory approvals, including creditor approval and any necessary court order(s);
- (c) Termination of all existing employment agreements; and
- (d) Completion of due diligence.

24. Subject to the completion of the conditions precedent, Paladin may close the Paladin Transaction provided it pays \$900,000 to Allon, which is to be used by Allon in its proposal under the BIA for payment to Allon's unsecured creditors on a pro-rata basis.

25. The Paladin Transaction must close by August 1, 2013.

26. The Paladin Transaction contains an exclusivity provision which prohibits Allon from directly or indirectly soliciting or discussing any potential transaction with a third party for the purchase of Allon until July 31, 2013.

27. Attached hereto and marked as **Exhibit "B"** is a copy of the Paladin Transaction.

The Bankruptcy Proposal

28. As noted above, Allon concluded that it was in its best interests of the Company to enter into the Paladin Transaction and seek creditor protection under the BIA given Allon's deteriorating financial circumstances and inability to locate any alternative transactions.

29. On May 29, 2012, Allon filed a proposal with the Office of the Superintendent of Bankruptcy (the "**Proposal**") in connection with the Paladin Transaction.

30. Attached hereto and marked as **Exhibit "C"** is a copy of the Proposal.

31. In connection with the filing of the Proposal, the trading of Allon's shares was halted for failure to meet the continued listing requirements of the TSX, including as a result of the BIA proceedings commenced by the Company. It is expected that the common shares will be delisted from the TSX.

32. Attached hereto and marked as **Exhibit "D"** is a copy of a news release dated May 30, 2013, announcing the filing of the Proposal and the halting of trading of Allon's shares.

33. As outlined in the most recent audited financial statements for the 2012 fiscal year, the Company incurred a net loss of \$14.92 million, compared to a net loss of \$12.77 million in 2011.

34. As noted above, the Company continues to incur operating costs and reported a comprehensive loss of \$1.07 million in the three months ended March 31, 2013.

35. Allon had \$3.39 million in unsecured liabilities outstanding and approximately \$172,000 in cash or cash equivalents at the time of the filing of the Proposal.

36. As reflected in the cash flow projection prepared by Allon's management for the period of May 27, 2013 to July 26, 2013, Allon's cash flow is expected to reduce to approximately \$2,400 by the end of this period. The projected expenses incurred during this period include operating costs, rent, payroll and funding for the costs of administering the Proposal process.

37. Attached hereto and marked as **Exhibit "E"** is a copy of the statement of affairs, dated May 29, 2013, filed with the Office of the Superintendent of Bankruptcy in conjunction with the Proposal (the "**Statement of Affairs**").

38. The Statement of Affairs confirms that the Company has no secured creditors and has few assets.

Developments Prior to the Creditors' Meeting

39. On June 6, 2013, the Potential Bidder sent a letter to the Trustee indicating a potential willingness to make an offer in excess of the Paladin Transaction. However, prior to the meeting of creditors on June 12, 2013 that potential offer from the Potential Bidder was withdrawn.

Creditor's Meeting

40. A meeting of the Company's creditors to vote on the Proposal was held on June 12, 2013 at the office of the Trustee. I am informed by the Trustee, and verily believe to be true, that of the creditors that either voted by voting letter or attended and voted at the meeting, 100% voted in favour of the Proposal and 0% voted against the Proposal.

General

41. Allon undertook significant efforts in the periods prior to and after the release of the PSP Trial results to seek out potential partners or purchasers. In light of Allon's prior attempts to seek out transactions to maximize value of its operations and assets, it is my view that the Paladin Transaction represents the best possible outcome in the circumstances for creditor realization.

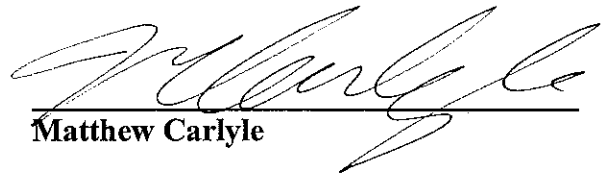
42. The Company has acted in good faith throughout this process in an attempt to make a viable proposal to its creditors and continue as a going concern.

SWORN BEFORE ME at Vancouver,
British Columbia on June 13, 2013

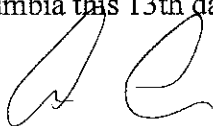


A Commissioner for taking Affidavits for
British Columbia

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Matthew Carlyle

This is **Exhibit "A"** referred to in the Affidavit #1 of Matthew Carlyle made before me at Vancouver, British Columbia this 13th day of June 2013.



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Allon Therapeutics Inc.

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02

News Release

For Immediate Release

December 18, 2012

Allon announces PSP clinical trial results

VANCOUVER, B.C. — Allon Therapeutics Inc. (TSX: NPC) announced today that its pivotal clinical trial evaluating its lead product candidate davunetide as a treatment for progressive supranuclear palsy (PSP) failed to demonstrate efficacy in this population.

The study had co-primary outcome measures: the Progressive Supranuclear Palsy Rating Scale (PSPRS), and the Schwab and England Activities of Daily Living (SEADL). Data analysis failed to detect an effect on either the PSPRS or the SEADL.

The study also examined a series of secondary and exploratory endpoints. There was no evidence of a drug effect on these secondary or exploratory endpoints in the pre-specified analysis. The Company will undertake further analysis to determine if there is any evidence of an effect or explanation for the absence of an effect.

Allon President and CEO Gordon McCauley said, "This is a very sad day for patients, family members, and caregivers living with PSP because so many of them held out great hope that these results would define a drug that has an impact on their disease. Sadly these results have not fulfilled these hopes but we are deeply grateful to them for their unrelenting support of this study. While this outcome is not at all what we anticipated, we do believe that we designed the correct study and executed that study well."

Allon said the multinational phase 2/3 randomized, double-blind, placebo-controlled trial enrolled a total of 313 subjects definitively diagnosed with PSP. Subjects were randomized into two groups, and treated with 30 mg of davunetide or placebo twice per day for 52 weeks. The study was carried out under a Special Protocol Assessment with the United States Food and Drug Administration (FDA) at 47 sites in the United States, Canada, United Kingdom, France, Germany, and Australia. The study was designed to enroll a homogeneous PSP population and data generated by the study confirm this finding.

This study did demonstrate that the study population was highly homogenous and that davunetide is generally safe and well tolerated in this population. The adverse events recorded during the study

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are typical of this patient population and were generally balanced between the treated and placebo groups.

The Company said it will evaluate its strategic options going forward, but it will not allocate any additional capital to research and development activities for davunetide at this time. This strategic review will include all options for exploiting Allon's assets. Allon undertook the pivotal trial based upon statistically significant human efficacy demonstrated in patients with amnesic mild cognitive impairment, cognitive impairment associated with schizophrenia, and positive biomarker data.

The Company will also take immediate action to reduce its ongoing operating expenses including a reduction in staff.

Allon management will host a conference call to discuss these results today, Tuesday December 18, 2012 at 2:00pm PST/5:00pm EST.

Dial-in Details:

Participant Local Dial-in Number(s): 647-427-7450

Participant North American Toll Free Number: 1-888-231-8191

Encore details:

Encore Toll Free Dial-in Number: 1.855.859.2056

Encore Local Dial-in Numbers: 403.451.9481

Encore Password: 83111462

The conference call will be archived for replay for 1 week

About Allon

Allon Therapeutics Inc. is a clinical-stage biotechnology company focused on bringing to market innovative central nervous system therapies.

The Company is listed on the Toronto Stock Exchange under the trading symbol "NPC".

Forward Looking Statements

Statements contained herein, other than those which are strictly statements of historical fact may include forward-looking information. Such statements will typically contain words such as "believes", "may", "plans", "will", "estimate", "continue", "anticipates", "intends", "expects", and similar expressions. While forward-looking statements represent management's outlook based on assumptions that management believes are reasonable, forward-looking statements by their nature are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by them. Such factors include, among others, the inherent

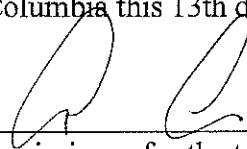
News Release

uncertainty involved in scientific research and drug development, Allon's early stage of development, lack of product revenues, its additional capital requirements, the risks associated with successful completion of clinical trials and the long lead-times and high costs associated with obtaining regulatory approval to market any product which Allon may eventually develop. Other risk factors include the limited protections afforded by intellectual property rights, rapid technology and product obsolescence in a highly competitive environment and Allon's dependence on collaborative partners and contract research organizations. These factors can be reviewed in Allon's public filings at www.sedar.com and should be considered carefully. Readers are cautioned not to place undue reliance on such forward-looking statements. Similarly, nothing in this press release is meant to promote a pharmaceutical product or make a regulated claim of efficacy.

FOR FURTHER INFORMATION PLEASE CONTACT:

Carrie Christenson
Allon Therapeutics Inc.
(604) 736-0634
info@allontherapeutics.com
www.allontherapeutics.com

This is **Exhibit "B"** referred to in the Affidavit #1 of Matthew Carlyle made before me at Vancouver, British Columbia this 13th day of June 2013.



A Commissioner for the taking of Affidavits for
British Columbia

For Discussion Purposes Only
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TERM SHEET
INVESTMENT BY PALADIN LABS INC.

This term sheet is an expression of intent only and is not to be construed as a binding agreement, except where expressly specified otherwise. A binding commitment to consummate the proposed transactions will result only from the execution of definitive agreements.

1. **Parties:** Paladin Labs Inc. or its designee (the "Purchaser"); and
Allon Therapeutics Inc. (the "Corporation")
2. **Purpose:** Upon satisfaction of the applicable conditions precedent, all existing shares of the Corporation shall be cancelled and the Purchaser will subscribe for 100% of the newly issued and outstanding shares in the share capital of the Corporation (the "New Shares").
3. **Closing Date:** No later than August 1, 2013.
4. **Subscription Price:** In the aggregate, the amount of CA\$900,000 in cash to be invested as debt or equity in the Corporation as determined by the Purchaser, the whole, payable or issuable to such persons and on such conditions, as set forth at item 7 (Principal Terms)
5. **Conditions Precedent:** To the complete satisfaction of Purchaser:
 - Due diligence to be completed by May 24, 2013. For greater certainty, all the pre-clinical and clinical data for Davunetide, Davunetide subcutaneous and AL-309 shall be made readily available during the due diligence period;
 - Section 191 CBCA Reorganization (to be completed with appropriate statutory conditions, including Court approval, securities regulatory approval and other regulatory approval, if required), satisfactory to the Purchaser, in order to achieve:
 - redemption/purchase for cancellation by Corporation of all the currently issued and outstanding shares in its share capital;
 - amendment to articles of the Corporation, eliminating all current classes of shares and creating a new class of common shares which shall, at Closing, constitute the New Shares (as per item 2 above) to be issued to the Purchaser;
 - no shareholders' vote or meeting, unless required by corporate law or the Court;
 - no dissent rights, unless required by corporate law or the Court;
 - cancellation of all outstanding employee stock options and

other agreements granting any person the right to subscribe for or purchase any shares or other securities of the Corporation, without any payment being made therefore.

- BIA proposal (including all statutorily required creditor approvals and Court order - with delays for appeal expired without the request for or granting of any appeal - approving the transactions contemplated hereby and effecting the occurrence of all "Principal Terms" (as hereinafter defined);
- On or before Closing, termination of all existing employment agreements;
- No debtor in possession or interim financing to be made before or after the filing of the BIA proposal;
- At Closing, the Corporation shall have no subsidiaries (as such term is used in the CBCA);
- At Closing, free and clear title: (i) of the Purchaser to the New Shares; and (ii) of the Corporation to all its assets, etc. and subject only to the rights of owners of leased property. Court to make orders effecting the same, if necessary;
- Execution of an employment agreement with Alistair Stewart, in a form satisfactory to the Purchaser and the Corporation;
- Execution of documents to be prepared by Purchaser's counsel and reviewed and commented on by the Corporation and its counsel, including the subscription agreement.

6. Timeline:

- On or before May 24, 2013, the Purchaser shall have been satisfied with its due diligence review;
- On or before May 29, 2013, the Corporation shall have filed a Proposal under the BIA;
- On or before June 20, 2013, the Proposal and Section 191 Reorganization shall have been approved by the creditors of the Corporation;
- On or before July 16, 2013, all regulatory approvals shall have been obtained;
- On or before July 16, 2013, the Court shall have approved the Proposal and the Section 191 Reorganization and issued its final order under the BIA and Section 191 of the CBCA;
- The Closing shall occur on the first business day following the expiry of the appeal period for the Orders, or such earlier date as the Purchaser may determine in its sole discretion.

7. Principal Terms:**• Treatment of Creditors:**

- "Basket" proposal: full and final payment to all unsecured creditors of the Corporation equal to each such creditor's pro rata share of all proven claims from (i) the fund provided by the Purchaser equal to the fixed amount of the Subscription Price (being CA\$900,000) plus (ii) an amount equal to the cash and cash equivalents of the Corporation that are not required to fund the liabilities of the Corporation for the period between the filing of the Notice of Intention and the Closing less (iii) any amounts that the Corporation is required under applicable law to pay to creditors in priority to the unsecured creditors. The Basket shall, for greater certainty, satisfy all amounts that claimed as payable to the CEO and CFO or any other employee pursuant to a change of control agreement or arrangement.
- The "pro rata share" of any creditor shall be equal to the fraction composed of the proven claim of such creditor as numerator and the total of all proven claims in the arrangement of the Corporation as denominator.

• Treatment of Shareholders:

- Redemption of all issued and outstanding shares for CA\$1.00 in the aggregate (see "Conditions Precedent" above);

8. Representations and Warranties:

- The subscription agreement shall contain all usual and customary representations and warranties of the Corporation for transactions of a similar nature, including without limitation: due authorization, plus corporate capacity;
- Key Davunetide patents in Canada, the U.S., Europe and Japanese and the Tel Aviv University and National Institutes of Health licenses are in good standing and have been maintained;
- Validity of all relevant intellectual property;
- Tax losses: amount of non-capital tax losses, usable after Closing to be no less than CA\$37,000,000;

9. Exclusivity:

The Corporation hereby covenants and agrees with the Purchaser that, during the period from the date of this Term Sheet until July 31, 2013, it will not, directly or indirectly (through its trustee or any of its advisors, directors, officers, employees, shareholders or otherwise), solicit, initiate, encourage, facilitate, provide any information which might facilitate, negotiate or discuss, any submission, proposal or offer from, or any effort or attempt by, any other person, entity or group relating to the acquisition by any person, entity or group of any issued or unissued shares or other



securities of the Corporation, or any assets of the Corporation, or any amalgamation, arrangement, takeover bid, reorganization, recapitalization, liquidation, winding-up, or other business combination involving directly or indirectly the Corporation or any of its subsidiaries, divisions or business units.

10. **Governing Law:** This Term Sheet shall be governed by and construed in accordance with the laws of the Province of Quebec and the federal laws of Canada applicable therein.
11. **Public Announcement:** This Term Sheet is provided on the understanding that the Corporation will not make any public announcement or disclose in any other manner the contents of this Term Sheet or its existence to anyone, other than its board of directors, senior officers, monitor and professional advisors (who will treat it on the same confidential basis), unless the prior written consent of the Purchaser (as to the making of such announcement or disclosure and as to the form and content thereof) has been obtained (such consent not to be unreasonably withheld). Provided that if a press release and material change report regarding this Term Sheet, and any subsequent matter arising from the implementation of this Term Sheet, is deemed required by the Corporation's counsel to meet regulatory requirements, such disclosure documents will be disseminated and filed with an immediate copy being sent to Purchaser.

This document sets forth the general terms and conditions on which the Purchaser is considering purchasing securities of the Corporation; provided, however, that neither the Purchaser nor the Corporation shall have any legal obligation to complete the transactions contemplated herein or otherwise. The provision on "Exclusivity" shall be legally binding on and enforceable against the parties hereto. By execution of this document, each of the parties hereto acknowledges that it is legally bound by such provision.

SIGNED this 28 day of May, 2013.

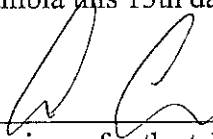
PALADIN LABS INC.

Per: 

ALLON THERAPEUTICS INC.

Per: 

This is **Exhibit "C"** referred to in the Affidavit #1 of Matthew Carlyle made before me at Vancouver, British Columbia this 13th day of June 2013.



A Commissioner for the taking of Affidavits for
British Columbia

**PROPOSAL TO CREDITORS AND REORGANIZATION OF SHARE CAPITAL
OF
ALLON THERAPEUTICS INC.**

**PURSUANT TO THE BANKRUPTCY AND INSOLVENCY ACT (CANADA) AND
CANADA BUSINESS CORPORATIONS ACT**

IN THE MATTER OF ALLON THERAPEUTICS INC.

AND IN THE MATTER OF an application under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, for a proposal with respect to ALLON THERAPEUTICS INC. and a reorganization of share capital of ALLON THERAPEUTICS INC. under Section 191 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44.

May 29, 2013

ALLON THERAPEUTICS INC.

PROPOSAL TO CREDITORS AND REORGANIZATION OF SHARE CAPITAL

ARTICLE 1

INTERPRETATION

1.1 Definitions

In this Proposal (including the Schedules hereto), unless otherwise stated or unless the context otherwise requires:

"Applicant" means Allon Therapeutics Inc. and its successors;

"Approval of the Proposal" means the approval of the Proposal by the Required Majority and by an Order of the Court for which all appeal periods have expired;

"Articles of Reorganization" means the articles of reorganization of the Applicant substantially in the form attached hereto as Schedule A;

"BLA" means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended;

"Business Day" means a day, other than a Saturday or Sunday, on which banks are generally open for business in Vancouver, British Columbia;

"CBCA" means the *Canada Business Corporations Act*, R.S.C. 1984, c. C-44, as amended;

"Certificate of Amendment" means the certificate of amendment to be issued by the Registrar pursuant to Section 191 of the CBCA in respect of the Articles of Reorganization;

"Claim" means: (i) any right of any Person against the Applicant in connection with any indebtedness, liability or obligation of any kind of the Applicant, in each case which indebtedness, liability or obligation was in existence at the Proposal Filing Date and any interest that may accrue thereon, whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, the right or ability of any person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future based in whole or in part on facts which existed prior to or at the Proposal Filing Date and, (ii) any other claims that would have been claims provable in bankruptcy had the Applicant become bankrupt on the Proposal Filing Date, but a "Claim" does not include an Unaffected Obligation;

"Court" means the Supreme Court of British Columbia;

"Creditor" means any Person having a Claim, including, without limitation, and subject to Section 5.6, the holders of Securities, and may, if the context requires, mean a trustee, receiver, receiver-manager or other Person acting on behalf of such Person, but a Creditor shall not include an Unaffected Creditor;

"Creditors' Meeting" means the meeting of the Creditors called for the purposes of considering and voting upon the Proposal;

"Directors" means current or former directors of the Applicant;

"Employees" means those Persons who, at the Proposal Filing Date, are or were employed by the Applicant or retained by the Applicant to perform services exclusively for the Applicant;

"Final Order" means the Order to be made under the BIA approving the Proposal and under Section 191 of the CBCA approving the amendments of the articles of the Applicant in accordance with the Articles of Reorganization, as such Order may be amended or modified by any court of competent jurisdiction, provided that, except to the extent waived by Paladin (in its discretion), such Order shall not be the Final Order until (i) the expiry of the applicable appeal period without any appeal having been instituted, or (ii) in the event of an appeal or application for leave to appeal, final determination by the applicable appellate tribunal dismissing the appeal, or application for leave to appeal, in whole;

"Interim Creditors" means Creditors who have supplied or do supply services, utilities, goods or materials or advanced funds during the Interim Period, but only to the extent of their Claims in respect of the supply of such services, utilities, goods or materials or funds during the Interim Period;

"Interim Period" means the period from and including the Proposal Filing Date to and including the Proposal Implementation Date;

"New Common Shares" means the new common shares of the Applicant created by the Articles of Reorganization upon the issuance of the Certificate of Amendment;

"New Common Shareholder" means Paladin;

"New Preferred Shares" means the new preferred shares of the Applicant created by the Articles of Reorganization upon the issuance of the Certificate of Amendment;

"Order" means any order of the Court in these proceedings;

"Paladin" means Paladin Labs Inc. and its successors and assigns;

"Person" means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other juridical entity howsoever designated or constituted;

"Priority Claims" means all Claims which must by the BIA or any Order be paid in priority to all other Claims sharing in the estate of the Applicant;

"Proposal" means this proposal to the Creditors and reorganization of share capital of the Applicant under the BIA and under Section 191 of the CBCA as modified, supplemented or amended from time to time;

"Proposal Costs" means all (a) fees (including legal fees), costs, undertakings and obligations of the Trustee, (b) fees (including legal and financial advisor fees), costs, undertakings and obligations of the Applicant, and (c) accounting fees relating to or resulting from the Proposal;

"Proposal Filing Date" means the date the Proposal was filed with the Official Receiver; being May 29, 2013;

"Proposal Fund" means the total available funds for distribution to Creditors, including the cash on hand held by the Applicant at the Proposal Implementation Date (as estimated in the cash flow statement prepared by the Applicant), in addition to the cash payment identified in Section 2.2, less any amounts paid or payable pursuant to Sections 3.1 and 3.2;

"Proposal Implementation Date" means the date on which (i) all pre-conditions contained in Section 7.10 have been satisfied or have been waived in writing, and (ii) the Certificate of Amendment is issued;

"Proof of Claim" has the meaning ascribed thereto in the BIA;

"Proven Claim" of a Creditor means the amount of the Claim of such Creditor finally determined in accordance with the provisions of the BIA and the Proposal;

"Redemption Amount" shall have the meaning ascribed thereto in Section 5.4 hereof;

"Required Majority" means a majority in number and two-thirds in value of the Claims of all Unsecured Creditors entitled to vote and who are present at the Creditors' Meeting (whether in person, by proxy or by voting letter) in accordance with the voting procedures established by this Proposal and the BIA;

"Securities" means all options issued by the Applicant to purchase any of the Shares in the capital of the Applicant, all warrants issued by the Applicant to purchase Shares in the capital of the Applicant and any other document, instrument or writing of the Applicant commonly known as a security, other than the Shares;

"Security" means a mortgage, hypothec, prior claim, pledge, charge, lien or other security interest on or against the property of the Applicant or any part thereof as security for a debt due or accruing due from the Applicant, or any negotiable instrument held as collateral security and on which the Applicant is only indirectly or secondarily liable;

"Shareholders" means the registered holders of Shares and "Shareholder" means any one of them;

"Shares" means all of the shares of all classes in the capital stock of the Applicant issued and outstanding and as constituted immediately prior to the Proposal Implementation Date;

"Subscribed Securities" means the New Common Shares and/or debt or securities of the Applicant subscribed for by, and issued to, Paladin, pursuant to the terms of the Subscription Agreement;

"Subscription Agreement" means that certain subscription agreement related to the Subscribed Securities to be entered into by and between the Applicant and Paladin;

"Transfer Agent" means the transfer agent for the Shares;

"Trustee" means Deloitte & Touche Inc. and any successor thereto appointed in accordance with the BIA;

"Unaffected Creditor" means a Person having a Claim in respect of an Unaffected Obligation but only in respect of such Unaffected Obligation;

"Unaffected Obligations" means the obligations of the Applicant to Interim Creditors;

"Unsecured Creditors" means all Creditors of the Applicant with Claims other than Claims that are Priority Claims.

1.2 Accounting Terms

All accounting terms not otherwise defined herein will have the meaning ascribed to them in accordance with International Financial Reporting Standards prescribed by the International Accounting Standards Board. Accounting policies and standards of financial disclosure will be in accordance with International Financial Reporting Standards.

1.3 Articles of Reference

The terms "hereof", "hereunder", "herein" and similar expressions refer to this Proposal and not to any particular article, section, subsection, clause or paragraph of this Proposal and include any agreements supplemental hereto. In this Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

1.4 Interpretation Not Affected by Headings

The division of this Proposal into articles, sections, subsections, clauses or paragraphs and headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

1.5 Date for Any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day which is a Business Day.

1.6 Time

All times expressed herein are local time in Vancouver, British Columbia, Canada unless otherwise stipulated. Where the time for anything pursuant to this Proposal on a particular date is unspecified herein, the time shall be deemed to be 5:00 p.m. local time in Vancouver, British Columbia.

1.7 Numbers and Gender

In this Proposal, where the context requires, a word importing the singular number will include the plural and vice versa and a word or words importing gender will include all genders.

1.8 Currency

Unless otherwise stated herein, all references to currency in this Proposal are to be lawful money of Canada.

1.9 Statutory References

Except as otherwise provided herein, any reference in this Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulations in force from time to time, and any statute or regulation that supplements or supercedes such statute or regulation.

1.10 Successors and Assigns

This Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in this Proposal.

1.11 Schedules

The following are the schedules to this Proposal which are incorporated by reference into this Proposal and form part hereof:

Schedule A: Articles of Reorganization

ARTICLE 2

PURPOSE AND EFFECT OF THE PROPOSAL

2.1 Purpose

The purpose of this Proposal is to effect a proposal concerning the obligations of the Applicant and the reorganization of the capital structure of the Applicant in order to enable the business of the Applicant to continue and the Applicant to become a wholly-owned subsidiary of Paladin, in the expectation that all Creditors with an interest in the Applicant will derive a greater benefit from its continued operation and its acquisition by Paladin than would result from the discontinuance of its operations and the forced liquidation of the Applicant's assets.

2.2 Strategic Investment

On the Proposal Implementation Date, Paladin shall, subject to and upon the terms and conditions of the Subscription Agreement, make a strategic investment in the Applicant by subscribing for New Common Shares or, at the option of Paladin, a combination of New Common Shares and of debt securities of the Applicant in consideration for a cash payment as set forth in the Subscription Agreement in the amount of \$900,000 to be used to fund this Proposal.

2.3 Persons Affected

On and after the Proposal Implementation Date, this Proposal will become effective on and, subject to the fulfilment by the Applicant of its obligations hereunder, shall be binding on the Applicant, the Shareholders and the Creditors.

ARTICLE 3

TREATMENT OF CREDITORS' CLAIMS AND VOTING

3.1 Priority Claims

(1) *Payments to Her Majesty*

The amounts due to Her Majesty the Queen in right of Canada or of any province, which are subject to a demand under subsection 224 (1.2) of the Income Tax Act or of any provision of the Canada Pension Plan or of the Employment Insurance Act that refers to subsection 224(1.2) of the Income Tax Act and provides for the collection of a contribution, as defined in the Canada Pension Plan, or an employee's premium, or employer's premium, as defined in the Employment Insurance Act, and of any related interest, penalties or other amounts, or of any provision of provincial legislation essentially similar to the foregoing provisions as provided in paragraph 60(1.1)(c) of the BIA, and that were outstanding at the time of the filing of the Proposal shall be paid in their entirety, without interest, within six (6) months after the Approval of the Proposal.

(2) *Payments to Employees*

The amounts which Employees (past and present) would be entitled to receive pursuant to paragraph 136(1)(d) of the BIA if their employer had been declared bankrupt on the date of the Proposal Filing Date, as well as wages, salaries, commission or compensation for services rendered from and after the Proposal Filing Date up to the date of the Approval of the Proposal shall be paid in their entirety as soon as reasonably practicable after the Approval of the Proposal.

(3) *Proposal Costs*

The Proposal Costs shall be paid in priority to all Claims of Unsecured Creditors and Priority Claims.

(4) *Priority Claims*

Subject to the foregoing, the Priority Claims, without interest, shall be paid in their entirety in priority to all Claims of the Unsecured Creditors, as soon as reasonably practicable following the Approval of the Proposal.

3.2 Unaffected Obligations

Unaffected Obligations shall be paid by the Applicant to the Unaffected Creditor in full in cash on their respective due dates and shall be paid in priority to all Claims of the Unsecured Creditors.

3.3 Landlord Claims

(1) *Disclaimer of Lease*

In the case of any lease of real property disclaimed by the Applicant or the Trustee on the Applicant's behalf pursuant to subsection 65.2(1) of the BIA, the landlord affected by the disclaimer may file a proof of claim for its actual losses, if any, resulting from the disclaimer by the Applicant, in accordance with subsection 65.2(4) of the BIA, after deduction of any rent paid and subject to the landlord's duty to mitigate its damages.

(2) *Treatment of Landlord Claims*

For the purpose of voting at the Creditors' Meeting any landlord having a Claim pursuant to Section 3.3(1) shall be classified as an Unsecured Creditor.

3.4 Treatment of Unsecured Creditors

Each Unsecured Creditor shall, in full and final satisfaction of its Claims, be paid the first \$1,000.00 of its Proven Claim, and then be paid an amount determined by applying the following formula:

The "Aggregate Amount Payable to Unsecured Creditors" (less amounts paid for the first \$1,000.00 of Unsecured Creditors Proven Claims)	X	The Amount of the Unsecured Creditor's Proven Claim (less the amount of \$1,000.00 paid first) <hr/> The total amount of all Unsecured Creditor's Proven Claims
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Where, for the purposes of the calculation above, the "Aggregate Amount Payable to Unsecured Creditors" shall be equal to the Proposal Fund.

3.5 Procedure for Payment

Within ten (10) Business Days following the Proposal Implementation Date, the Applicant shall remit the Proposal Fund to the Trustee for purpose of paying each Creditor the amount determined pursuant to Sections 3.3 and 3.4, provided however that no payments shall be made to Unsecured Creditors prior to the Trustee making any and all payments required under Sections 3.1 and 3.2, or, alternatively, the Trustee reserving and holding in trust sufficient funds to pay amounts required under Sections 3.1 and 3.2. The Trustee shall remit the relevant amounts so payable to the Creditors as soon as reasonably practicable following the Proposal Implementation Date, less such reserves as the Trustee shall deem necessary or appropriate, and the balance shall be paid in such number of instalments as the Trustee shall deem appropriate.

3.6 Effect of Proposal Implementation

Effective on the Proposal Implementation Date, the Claims of the Creditors shall be discharged and the Applicant shall thereupon be released from all Claims of Creditors, other than the obligation to make payments in the manner and to the extent described in Article 3.

3.7 Non-Application of Sections 91 to 101 of the BIA

Sections 91 to 101 of the BIA, under the heading of "Settlement and Preferences" in the BIA, shall not apply to the within Proposal. The Trustee and Creditors shall not be entitled to avail themselves of these sections.

3.8 Proof of Claim

In order to be eligible to vote at the Creditors' Meeting each Creditor shall file a Proof of Claim with the Trustee in accordance with the applicable provisions of the BIA and thereafter the Trustee shall administer the claims in accordance with the provisions of section 135 of the BIA.

Forthwith after the Creditors' Meeting, the Trustee shall give notice (the "Notice") pursuant to section 149 of the BIA, by registered mail, to every Person with a Claim that the Trustee has notice or knowledge of, but whose claim has not been filed or proved.

Any Person who does not prove his Claim within thirty (30) days of the mailing of the Notice, shall forever be barred from making a claim in this Proposal or sharing in any dividend hereunder, subject to any exceptions set out in subsections 149(2)(3) and (4) of the BIA, regardless of whether such Person was sent a Notice or whether such Person received such Notice.

In order to receive a distribution from the Proposal Fund, a Creditor must submit a Proof of Claim prior to the time the Trustee distributes funds in accordance with the Proposal.

ARTICLE 4

MEETING OF CREDITORS

4.1 Creditors' Meeting

Unless otherwise ordered by the Court, the Creditors' Meeting shall be conducted by the Trustee and the Company and shall be held on June 12, 2013 at the offices of the Trustee at 10:00 a.m. at 2800-1055 Dunsmuir Street, Vancouver, British Columbia. All Proofs of Claim shall be delivered in accordance with the provisions of this Proposal, the BIA and any Order which may be issued by the Court in respect of the procedure governing the Creditors' Meeting to be held for the purposes of voting upon the Proposal. The Unsecured Creditors shall vote on the terms of this Proposal.

4.2 Conduct of the Creditors' Meeting

Unless otherwise ordered the Official Receiver, or the nominee thereof, shall preside as the chair of the Creditors' Meeting and will decide all matters relating to the conduct of the Creditors' Meeting. The only persons entitled to attend the Creditors' Meeting are those persons, including the holders of proxies, entitled to vote at the Creditors' Meeting and their legal counsel, if any, and the officers, directors, auditors, advisors and legal counsel of the Company, together with such representatives of the Trustee as the Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of such meeting. Any other person may be admitted on invitation of the chair of the Creditors' Meeting or with the consent of the Creditors, as the case may be.

4.3 Adjournment of the Creditors' Meeting

The Creditors' Meeting may be adjourned in accordance with Section 52 of the BIA. If the Creditors' Meeting is adjourned, no further Proofs of Claim nor proxies shall be filed with or accepted by the Trustee or the Company for the purpose of voting at any reconvening of the Creditors' Meeting.

4.4 Voting at the Creditors' Meeting

In order to be entitled to vote at the Creditors' Meeting, an Unsecured Creditor must file its Proof of Claim with the Trustee prior to the commencement of the Creditors' Meeting. Subject to any applicable provisions in the BIA, only Unsecured Creditors shall vote at the Creditors' Meeting and each Unsecured Creditor will be entitled to vote to the extent of the amount which is equal to that Unsecured Creditor's Proven Claim.

4.5 Approval by Unsecured Creditors

In order to be approved, the Proposal must receive the affirmative vote of the Required Majority.

ARTICLE 5

TREATMENT OF SHAREHOLDERS AND REORGANIZATION OF THE APPLICANT'S SHARE CAPITAL

The rights of Shareholders shall be affected by the Final Order which will provide for the following:

5.1 Articles of Reorganization

Effective on the Proposal Implementation Date, the Articles of Reorganization creating an unlimited number of authorized New Common Shares and New Preferred Shares, changing all issued and outstanding Shares into New Preferred Shares, providing for the mandatory redemption of the New Preferred Shares and deleting all other authorized but unissued Shares, will become effective by virtue of the issuance of the Certificate of Amendment.

5.2 Treatment of Shareholders

Effective on the Proposal Implementation Date, each Share held by each Shareholder shall be converted into one New Preferred Share.

5.3 Paladin Subscription

Effective on the Proposal Implementation Date and subject to and upon the terms and conditions of the Subscription Agreement, Paladin shall subscribe for the Subscribed Securities.

5.4 Mandatory Redemption

Following the issuance of the Certificate of Amendment, the Applicant shall redeem, and shall be deemed to have redeemed, on the Proposal Implementation Date, without being required to give notice thereof to and without further act or formality on the part of the respective holders thereof, all of the outstanding New Preferred Shares (namely, those New Preferred Shares issued by virtue of the change, pursuant to the Certificate of Amendment, of the Shares into such New Preferred Shares), for an aggregate amount for \$1.00 (the "**Redemption Amount**"). On the Proposal Implementation Date, the Applicant shall pay or cause to be paid to the Transfer Agent, on behalf of the holders of the New Preferred Shares, the Redemption Amount.

From and after the Proposal Implementation Date, the New Preferred Shares shall be deemed to be automatically redeemed and the holders of the New Preferred Shares shall not be entitled to any participation in the property or assets of the Applicant and shall not be entitled to exercise any of the rights of the holders thereof, except in respect of their contractual rights to receive certain payments as detailed in the Subscription Agreement.

The New Preferred Shares, once redeemed, shall be deemed to have been cancelled.

5.5 Share Certificates

On the Proposal Implementation Date, certificates formerly representing the Shares shall be deemed to be cancelled and shall be null and void.

5.6 Cancellation of Securities

Effective on the Proposal Implementation Date, all Securities of the Applicant and any rights to receive such Securities shall be automatically cancelled, with no compensation or participation being provided or payable therefor or in connection therewith.

5.7 No Other Entitlements

The Shareholders and holders of Securities will not be entitled to any interest, dividend, premium or other payment on or with respect to their Claims, Shares, or Securities, as the case may be, other than as provided pursuant to this Proposal.

ARTICLE 6

TRUSTEE

6.1 Proposal Trustee

Deloitte & Touche Inc. shall be the Trustee pursuant to this Proposal and upon the making of distributions to the Creditors, in accordance with Article 3 and otherwise complying with its obligations under the BIA, the Trustee will be entitled to be discharged from its obligations under the terms of this Proposal. The Trustee is acting in its capacity as Trustee under this Proposal, and not in its personal capacity and shall not incur any liabilities or obligations in connection with this Proposal or in respect of the business, liabilities, or

obligations of the Applicant, whether existing as at the Proposal Filing Date or incurred subsequent thereto.

The Trustee is authorized to draw on the Proposal Fund on account of Trustee remuneration upon Creditor and Court approval of this Proposal, subject to taxation by the Court upon completion of the administration of the estate.

6.2 Certificate of Completion and Discharge of Trustee

Upon the Trustee making the final distribution to the Creditors and all necessary payments to Unaffected Creditors pursuant to Article 3, the terms of this Proposal shall be deemed to be fully performed and the Trustee shall provide a certificate to the Applicant and to the Official Receiver pursuant to Section 65.3 of the BIA and the Trustee shall be entitled to be discharged.

6.3 Indemnification of Trustee

The Trustee shall be indemnified in full by the Applicant for all personal liability arising from fulfilling any duties or exercising any powers or duties conferred upon them by this Proposal or under the BIA, except for any wilful misconduct or gross negligence.

ARTICLE 7

MISCELLANEOUS

7.1 Confirmation of Proposal

In the event that the Proposal is approved by the Required Majority the Applicant will, unless otherwise ordered by the Court, then seek the Final Order for the sanction and approval of the Proposal. Subject only to the Final Order being granted and the satisfaction of those conditions of the Proposal described in Section 7.10, the Proposal will be implemented by the Applicant and will be binding upon all the Creditors of the Applicant and the Shareholders affected by the Proposal in accordance with its terms.

7.2 Paramountcy

From and after the Proposal Implementation Date, any conflict between the Proposal and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, hypothec, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, by-laws of the Applicant, lease or other agreement, written or oral, and any and all amendments or supplements thereto existing between one or more of the Creditors or the Shareholders and the Applicant as at the Proposal Implementation Date will be deemed to be governed by the terms, conditions and provisions of the Proposal and the Final Order, which shall take precedence and priority.

7.3 Waiver of Defaults

From and after the Proposal Implementation Date, each Creditor and Shareholder shall be deemed to have waived any and all defaults then existing or previously committed by the Applicant in any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, agreement, mortgage, hypothec, security agreement, indenture, trust indenture, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Creditor or Shareholder and the Applicant and any and all notices of default and demands for payment under any instrument, including, without limitation any guarantee, shall be deemed to have been rescinded.

7.4 Compromise Effective for all Purposes

The payment, compromise or other satisfaction of any Claim under the Proposal, if sanctioned and approved by the Court, shall be binding upon all Creditors and Shareholders and their respective heirs, executors, administrators, successors and assigns, for all purposes and, to such extent shall also be effective to relieve any third party directly or indirectly liable for such indebtedness, whether as guarantor, indemnitor, tenant, director, joint covenantor, principal or otherwise.

7.5 Participation in Different Capacities

Creditors whose Claims are affected by this Proposal may be affected in more than one capacity. Each such Creditor shall be entitled to participate hereunder in each such capacity. Any action taken by a Creditor in any one capacity shall not affect the Creditor in any other capacity unless the Creditor agrees in writing.

7.6 Modification of Proposal

The Applicant reserves the right to file any modification of or amendment to the Proposal by way of a supplementary or amended proposals filed with the Court at any time or from time to time prior to the Creditor's Meeting in which case any such amended or supplementary proposals shall, for all purposes, be and be deemed to be a part of and incorporated into the Proposal. The Applicant shall give notice by publication or otherwise to all Creditors in an affected class of the details of any modifications or amendments prior to the Creditor's Meeting. The Applicant may propose an alteration or modification to the Proposal at the Creditor's Meeting. After such Creditors' Meeting, the Applicant may at any time and from time to time vary, amend, modify or supplement the Proposal if the Court determines that such variation, amendment, modification or supplement would not be materially prejudicial to the interests of any of the Creditors and Shareholders under the Proposal or the Final Order and is reasonably necessary in order to give effect to the substance of the Proposal or the Final Order.

7.7 Consents, Waivers and Agreements

As at 12:01 a.m. on the Proposal Implementation Date, each Creditor and Shareholder shall be deemed to have consented and to have agreed to all of the provisions of this Proposal as an entirety. In particular, each Creditor and Shareholder shall be deemed:

- (a) subject to the Applicant having fulfilled its obligations under the Proposal, to have executed and delivered to the Applicant all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal as an entirety;
- (b) subject to the Applicant having fulfilled its obligations under the Proposal, to have waived any default by the Applicant in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Creditor or Shareholder and the Applicant that has occurred on or prior to the Proposal Implementation Date; and
- (c) to have agreed that if there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor or Shareholder and the Applicant as at the Proposal Implementation Date (other than those entered into by the Applicant on, or with effect from, the Proposal Implementation Date) and the provisions of this Proposal, then the provisions of the Proposal take precedence and priority and the provisions of such agreement or other arrangement are amended accordingly.

7.8 Releases

Other than in respect of the Unaffected Obligations and in respect of and subject to the fulfilment of the Applicant's obligations under the Proposal, after the Proposal Implementation Date, each Creditor of the Applicant shall be deemed to forever release any and all suits, Claims and causes of action that it may have had against the Applicant or against any of the Directors, officers, employees and advisors of any of the Applicant prior to the Proposal Filing Date (or that arose after the Filing Date but which relates to events which occurred prior to the Proposal Filing Date), provided however that nothing herein shall release or discharge or be deemed to have released or discharged any Claims against the Directors which cannot be released or discharged pursuant to Section 50(14) of the BIA.

7.9 Deeming Provisions

In this Proposal, the deeming provisions are not rebuttable and are conclusive and irrevocable.

7.10 Conditions Precedent to Implementation of the Proposal

The implementation of the Proposal by the Applicant shall be conditional upon the following conditions:

- (a) the Proposal is approved by the Required Majority;
- (b) the Final Order has been issued and has not been stayed and there is no outstanding appeal therefrom;

- (c) all contracts, agreements and arrangements entered into by the Applicant shall be terminated, resiliated and without effect in accordance with Section 65.11 or 65.2 of the BIA, as applicable, save and except the following agreements which shall remain in effect and be unaffected:
 - (A) the agreement between the Applicant and Iron Mountain Canada Corporation, dated March 5, 2010, as amended from time to time; and
 - (B) the agreement between the Applicant and Long View Systems Corporation, dated May 3, 2012, as amended from time to time.

For the avoidance of doubt, the license agreements entered into by the U.S. subsidiary of the Applicant, being the Allon-Ramot Amended and Restated License Agreement dated November 20, 2011 between Ramot at Tel-Aviv University Ltd. and Allon Therapeutics, Inc. and the License Agreement dated October 21, 2002 between the National Institutes of Health on behalf of the Public Health Service, Department of Health and Human Services and Allon Therapeutics, Inc., as amended from time to time shall remain in effect and be unaffected;

- (d) the execution and delivery of all documents and instruments contemplated by the Proposal and the Subscription Agreement;
- (e) the subscriptions by Paladin for the Subscribed Securities in accordance with the terms and conditions of the Subscription Agreement;
- (f) filing Articles of Reorganization and the issuance of the Certificate of Amendment; and
- (g) all other actions, documents and agreements necessary to implement the Proposal as required herein shall have been effected and executed.

7.11 Certificate of Amendment

On the day by which all conditions set out in Section 7.10 have been fulfilled or satisfied or waived, the Applicant shall file the Articles of Reorganization pursuant to Section 191 of the CBCA and the Certificate of Amendment shall be issued.

7.12 Notices

Any notice or other communication to be delivered hereunder must be in writing and may, unless otherwise set out herein, be made or given by personal delivery, registered mail, facsimile or such other written electronic communication acceptable to the parties addressed to:

- (a) If to the Applicant

Allon Therapeutics Inc.
506-1168 Hamilton Street
Vancouver, BC V6B 2S2

Attention: Matthew Carlyle
Fax: 604-734-1616
E-mail: mcarlyle@allontherapeutics.com

With a copy to:

Blake, Cassels & Graydon LLP
2600-595 Burrard Street
Vancouver, BC V7X 1L3

Attention: Peter Rubin
Fax: 604-631-3315
E-mail: peter.rubin@blakes.com

(b) If to the Trustee

Deloitte & Touche Inc.
2800-1055 Dunsmuir Street
Vancouver, BC V7X 1P4

Attention: Huey Lee
Fax: 604-640-3060
E-mail: huelee@deloitte.ca

Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing or sending by other means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered, faxed or sent before 5:00 p.m. on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day.

7.13 Governing Law

The Proposal shall be governed by and construed in accordance with the laws of British Columbia and the federal laws of Canada applicable therein. Any disputes as to the interpretation or application of the Proposal and all proceedings taken in connection with the Proposal shall be subject to the exclusive jurisdiction of the Court.

Dated at the City of Vancouver, in the Province of British Columbia, this 29th day of May, 2013.

Allon Therapeutics Inc.

Per: 

Matthew Carlyle
Chief Financial Officer

SCHEDULE A
ARTICLES OF REORGANIZATION
OF
ALLON THERAPEUTICS INC.

The Articles of Allon Therapeutics Inc. (the "**Corporation**") are amended by:

Creating a new class of shares in an unlimited number designated as New Common Shares and another new class of shares in an unlimited number designated as New Preferred Shares;

Providing that the rights, privileges, restrictions and conditions attaching to the New Common Shares and the New Preferred Shares are as set out in in Schedule R-1 attached hereto;

Changing each Common Share of the Corporation issued and outstanding as at 11:59 p.m. (Vancouver time) on the day immediately preceding the date (the "**Effective Date**") of the Certificate of Amendment to be issued under the *Canada Business Corporations Act* in respect of these Articles of Reorganization into one fully paid and non-assessable New Preferred Share;

Deleting the class of Common shares and the class of Preferred shares, none of which are currently issued and outstanding, and to delete the rights, privileges, restrictions and conditions attaching to such classes of shares; and

Providing that, after giving effect to the foregoing, the authorized capital of the Corporation shall consist only of an unlimited number of New Common Shares and an unlimited number of New Preferred Shares.

SCHEDULE ["R-1"]
TO
ARTICLES OF REORGANIZATION
OF
ALLON THERAPEUTICS INC.

The rights, privileges, restrictions and conditions attaching to the authorized shares in the capital of the Corporation shall be as follows:

1. PROVISIONS ATTACHING TO NEW COMMON SHARES

An unlimited number of New Common Shares of the Corporation shall have attached thereto the following rights, privileges, restrictions and conditions:

1.1. Dividends

The holders of New Common Shares shall be entitled to receive dividends and the Corporation shall pay dividends thereon, as and when declared by the board of directors of the Corporation, out of monies properly applicable to the payment of dividends, in money or in property or by issuing fully paid shares of the Corporation, in such amount and in such form as the board of directors of the Corporation may from time to time determine and all dividends which the board of directors of the Corporation may declare on the New Common Shares shall be declared and paid in equal amounts per share on all New Common Shares at the time outstanding.

1.2. Dissolution

In the event of the dissolution, liquidation or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, subject to the prior rights of the holders of New Preferred Shares, the holders of the New Common Shares shall be entitled to receive the remaining property and assets of the Corporation.

1.3. Voting Rights

The holders of the New Common Shares shall be entitled to receive notice of and to attend all meetings of the shareholders of the Corporation and shall have one vote for each New Common Share held at all meetings of the shareholders of the Corporation, except meetings at which only holders of New Preferred Shares are entitled to vote separately as a class.

2. PROVISIONS ATTACHING TO NEW PREFERRED SHARES

An unlimited number of New Preferred Shares of the Corporation shall have attached thereto the following rights, privileges, restrictions and conditions:

2.1. Dividends

The holders of the New Preferred Shares shall not be entitled to receive any dividends.

2.2. Dissolution

In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of the New Preferred Shares shall be entitled to receive, in preference and priority to any distribution of the property or assets of the Corporation to the holders of the New Common Shares, the aggregate amount of \$1.00 for all issued and outstanding New Preferred Shares, but shall not be entitled to share any further in the distribution of the property or assets of the Corporation.

2.3. Voting Rights

Except as otherwise required by law, the holders of the New Preferred Shares shall not be entitled to receive notice of, to attend or to vote at, any meeting of the shareholders of the Corporation.

2.4. Mandatory Redemption

Following the issuance of the Certificate of Amendment, the Corporation shall redeem, and shall be deemed to have redeemed, on the Effective Date, without being required to give notice thereof to and without further act or formality on the part of the respective holders thereof, all of the outstanding New Preferred Shares (namely, those New Preferred Shares issued by virtue of the change, pursuant to the Certificate of Amendment of the outstanding Common shares (collectively the "**Old Common Shares**") into such New Preferred Shares), for an aggregate amount of \$1.00 for all of the issued and outstanding Old Common Shares (the "**Redemption Amount**"). On or promptly following the effective date of the articles of reorganization of the Corporation (the "**Effective Date**"), the Corporation shall pay or cause to be paid to the transfer agent of the Old Common Shares (the "**Transfer Agent**"), on behalf of the holders of the New Preferred Shares, the Redemption Amount.

From and after the Effective Date and the payment of the Redemption Amount, the New Preferred Shares shall be deemed to be automatically redeemed and the holders of the New Preferred Shares shall not be entitled to any participation in the property or assets of the Corporation and shall not be entitled to exercise any of the rights of the holders thereof.

The New Preferred Shares, once redeemed, shall be deemed to have been cancelled.

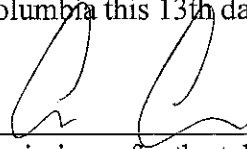
2.5. Share Certificates

On the Effective Date, certificates formerly representing Old Common Shares shall be deemed to be cancelled and shall be null and void.

**SHARE EXCHANGE SCHEDULE
TO ARTICLES OF REORGANIZATION
OF
ALLON THERAPEUTICS INC.**

The Articles of the Corporation be amended by exchanging all of the issued and outstanding Common Shares of the Corporation for New Preferred Shares, on a one for one basis.

This is **Exhibit "D"** referred to in the Affidavit #1 of Matthew Carlyle made before me at Vancouver, British Columbia this 13th day of June 2013.



A Commissioner for the taking of Affidavits for
British Columbia



Allon Therapeutics Inc.

506-1168 Hamilton Street
Vancouver, BC
Canada V6B 2S2

T 604-736-0634
F 604-736-1616

34

News Release

For Immediate Release

May 30, 2013

Allon Announces the Filing of a Proposal with Creditors and Reorganization

VANCOUVER, B.C. — Allon Therapeutics Inc. (TSX: NPC) ("Allon" or the "Company") announced today that it has filed a proposal (the "**Proposal**") pursuant to the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") with the Official Receiver, naming Deloitte & Touche Inc. as proposal trustee (the "**Trustee**").

Allon and Paladin Labs Inc. ("**Paladin**") have executed a non-binding term sheet outlining Paladin's expression of interest to obtain all of the issued and outstanding shares of Allon through a reorganization of Allon's share structure (the "**Transaction**"). The key terms of the Transaction are as follows: Redemption of all issued and outstanding shares of Allon for CDN\$1.00 in the aggregate; Cash payment by Paladin to Allon in the amount of \$900,000; Cancellation of all outstanding employee stock options and other agreements granting rights to subscribe for purchase any shares or other securities in Allon; A reorganization pursuant to the *Canada Business Corporations Act* whereby Allon's articles will be amended eliminating current classes of shares and creating a new class of common shares which shall, at closing, be issued to Paladin; and obtaining of all necessary court and regulatory approvals prior to the closing date, which must occur no later than August 1, 2013.

Allon also announces that the Toronto Stock Exchange ("TSX") has determined to halt the trading of the Company's common shares on the TSX, effective immediately, for failure to meet the continued listing requirements of the TSX, including as a result of the BIA proceedings commenced by the Company. It is expected that the common shares will be delisted from the TSX at the close of market on June 28, 2013.

The Proposal

Allon expects that its creditors will derive a greater benefit as a result of the Transaction and the Proposal then would result from a liquidation process under the BIA. Under the Proposal, a fund will be established for the payment of priority and preferred creditor claims under the BIA, payment of all costs associated with the Proposal and the *pro rata* payment of all proven claims of creditors with the remaining funds. Each unsecured creditor shall, in full and final satisfaction of its claim(s), be

Allon Therapeutics Inc.

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Canada V6B 2S2

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News Release

paid the first \$1,000.00 of its proven claim, and then be paid an amount calculated pursuant to the formula outlined in the Proposal.

A meeting of Allon's creditors is scheduled to take place on June 12, 2013 at 10:00 a.m. at the Trustee's office. In the event the Proposal receives the requisite support at the creditors' meeting, Allon will file an application to the British Columbia Supreme Court to seek court approval of the Proposal and the Reorganization.

Forward Looking Statements

Statements contained herein, other than those which are strictly statements of historical fact may include forward-looking information. Such statements will typically contain words such as "believes", "may", "plans", "will", "estimate", "continue", "anticipates", "intends", "expects", and similar expressions. While forward-looking statements represent management's outlook based on assumptions that management believes are reasonable, forward-looking statements by their nature are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by them. Such factors include, among others, Paladin's decision to finance the Transaction and obtaining court approval for the Proposal and the Transaction. Readers are cautioned not to place undue reliance on such forward-looking statements.

FOR FURTHER INFORMATION PLEASE CONTACT:

Carrie Christenson

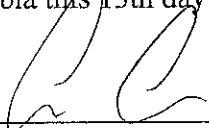
Allon Therapeutics Inc.

(604) 736-0634

info@allontherapeutics.com

www.allontherapeutics.com

This is **Exhibit "E"** referred to in the Affidavit #1 of Matthew Carlyle made before me at Vancouver, British Columbia this 13th day of June 2013.



A Commissioner for the taking of Affidavits for
British Columbia

District of: British Columbia
 Division No. 03 - Vancouver
 Court No.
 Estate No. 11-1753091

☒ Original ☐ Amended

-- Form 78 --

Statement of Affairs (Business Proposal) made by an entity
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(1) of the Act)

In the matter of the proposal of
 Allon Therapeutics Inc.
 of the City of Vancouver, in the Province of British Columbia

To the debtor:

You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 29th day of May 2013. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (as stated and estimated by the officer)		ASSETS (as stated and estimated by the officer)	
1. Unsecured creditors as per list "A"	3,386,041.33	1. Inventory	0.00
Balance of secured claims as per list "B"	0.00	2. Trade fixtures, etc.	0.00
Total unsecured creditors	3,386,041.33	3. Accounts receivable and other receivables, as per list "E"	
2. Secured creditors as per list "B"	1.00	Good	0.00
3. Preferred creditors as per list "C"	0.00	Doubtful	0.00
4. Contingent, trust claims or other liabilities as per list "D"		Bad	0.00
estimated to be reclaimable for	0.00	Estimated to produce	0.00
Total liabilities	3,386,042.33	4. Bills of exchange, promissory note, etc., as per list "F" ..	0.00
Surplus	NIL	5. Deposits in financial institutions	0.00
		6. Cash	172,622.00
		7. Livestock	0.00
		8. Machinery, equipment and plant	0.00
		9. Real property or immovable as per list "G"	0.00
		10. Furniture	1.00
		11. RRSPs, RRIAs, life insurance, etc.	0.00
		12. Securities (shares, bonds, debentures, etc.)	0.00
		13. Interests under wills	0.00
		14. Vehicles	0.00
		15. Other property, as per list "H"	36,494.00
		If debtor is a corporation, add:	
		Amount of subscribed capital	91,605,567.44
		Amount paid on capital	0.00
		Balance subscribed and unpaid	91,605,567.44
		Estimated to produce	0.00
		Total assets	209,117.00
		Deficiency	3,176,925.33

I, Matthew J. Carlyle, of the City of Vancouver in the Province of British Columbia, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of my affairs on the 29th day of May 2013 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)

before me at the City of Vancouver in the Province of British Columbia, on this 29th day of May 2013.

David A. George CA, Commissioner of Oaths
 For the Province of British Columbia
 Expires Sep. 30, 2015

Matthew J. Carlyle

District of: British Columbia
 Division No. 03 - Vancouver
 Court No.
 Estate No. 11-1753091

FORM 78 - Continued

List "A"
 Unsecured Creditors

Allon Therapeutics Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	ACM Medical Laboratory Inc.	PO Box 26290 Rochester NY 14626 USA	24,954.06	0.00	24,954.06
2	ADT Security Services Canada Inc. (English) Attn: Accounts Receivable	615 18th Street SE Calgary AB T2E 6J5	119.81	0.00	119.81
3	Allstar Stewart	506 - 1168 Hamilton St Vancouver BC V6B 2S2	10,000.00	0.00	10,000.00
4	Almac Clinical Services	9 Charlestown Road, Seagoe Industrial Estate, Craigavon, BT63 6PW Craigavon 00000 UK	2,112.69	0.00	2,112.69
5	Almac Clinical Services -USA	25 Fretz Road Souderton PA 18964 USA	7,470.85	0.00	7,470.85
6	Baylor College of Medicine	6560 Fannin, Suite 1801 Houston TX 77030 USA	3,777.84	0.00	3,777.84
7	Bellwyck Packaging Solutions	P.O. Box 57757, Postal Station A Toronto ON M5W 5M5	2,230.34	0.00	2,230.34
8	Bernard Lam	506 - 1168 Hamilton St Vancouver BC V6B 2S2	40,833.33	0.00	40,833.33
9	BioRepository Resources LLC	Suite 49 - 50 Division Ave Millington NJ 07946 USA	2,393.90	0.00	2,393.90
10	Brighton & Sussex Uni Hospital	Brighton General Hospital, Elm Grove, Brighton, BN2 3EW Elm Grove 00000 UK	13,580.20	0.00	13,580.20
11	Carmella Tang	506 - 1168 Hamilton St Vancouver BC V6B 2S2	13,750.00	0.00	13,750.00
12	Caroline Christenson	506 - 1168 Hamilton St Vancouver BC V6B 2S2	0.00	0.00	0.00
13	Charles River	22022 Transcanadienne Sonnevile Montreal QC H9X 3R3	5,793.05	0.00	5,793.05
14	CHUM-Research Center	Porte 8-123, 3860 St. Urbain, Pav. Masson Montreal QC H2W 1T7	520.65	0.00	520.65
15	CHW-St.Joseph's Hospital AZ	File 57431 Los Angeles CA 90074-8761 USA	18,425.88	0.00	18,425.88
16	CNW Group	Suite 1500, Waterpark place, 20 Bay Street Toronto ON M5J 2N8	616.00	0.00	616.00
17	Colorado Neurological Institute	Rocky Mountain Movement Disorders Center, Suite 610 - 701 East Hampden Avenue Englewood CO 80113 USA	14,662.00	0.00	14,662.00
18	Connie Marras, MD	Toronto Western Hospital, Movement Disorders Centre, 399 Bathurst Street, MCL 7-402 Toronto ON M5T 2S8	13,342.31	0.00	13,342.31
19	Cooley LLP	101 California St 5th Fl San Francisco CA 94111-5800 USA	12,249.37	0.00	12,249.37
20	CRA - Canada Revenue Agency - Tax - Pacific Attn: Jasmine Bains c/o Burnaby Fraser Tax Services Office, Regional Intake Cent	PO Box 11575 Station Main 8737 King George Highway Surrey BC V3T 0E5	0.00	0.00	0.00
21	Dr. Anthony E Lang	41 Fleming Cres. Toronto ON M4G 2B1	261.89	0.00	261.89
22	Dr. Bruce Miller	UCSF - Memory & Aging Centre MC: 1207, 675 Nelson Rising Lane, Suite 190 San Francisco CA 94158 USA	825.12	0.00	825.12

29-May-2013

Date



Matthew J Carlyle

District of: British Columbia
 Division No. 03 - Vancouver
 Court No.
 Estate No. 11-1753091

FORM 76 - Continued

List "A"
 Unsecured Creditors

Allon Therapeutics Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
23	Dr. Rachelle Doody	Baylor College of Medicine - 1977 Butler Blvd. E5.101 Houston TX 77030 USA	3,724.66	0.00	3,724.66
24	EBD Consulting Inc.	2032 Corte del Nogal, Suite 120 Carlsbad CA 92011 USA	255.27	0.00	255.27
25	EMD Millipore Corporation	25760 Network Place Chicago IL 60673 USA	5,067.36	0.00	5,067.36
26	EPL Archives, Inc	45610 Terminal drive Sterling VA 20166 USA	1,378.10	0.00	1,378.10
27	Erin N Castellone M.D.	12594 Kestrel Street San Diego CA 92129 USA	813.73	0.00	813.73
28	Farris Vaughan Wills & Murphy LLP	25th Floor, 700 W. Georgia St. Vancouver BC V7Y 1B3	440.58	0.00	440.58
29	FGK Representative Service GmbH	Helmerstr. 35 Munich 80339 Germany	8,087.70	0.00	8,087.70
30	Gordon McCauley	506 - 1168 Hamilton St Vancouver BC V6B 2S2	1,191,243.95	0.00	1,191,243.95
31	Grinli Enterprises Corp. and Serverino Fontana	206 - 1168 Hamilton St Vancouver BC V6B 2S2	15,950.38	0.00	15,950.38
32	Health Research Association	LAC-USC Medical Center - 1540 Marengo Street, 7th Floor Los Angeles CA 90033 USA	7,982.12	0.00	7,982.12
33	Johns Hopkins University Central Lockbox	12529 Collections Center Drive Chicago IL 60693 USA	13,756.77	0.00	13,756.77
34	Kappa Clinical Partners, LLC	3330 Cumberland Boulevard, Suite 500 Atlanta GA 30339 USA	39,642.15	0.00	39,642.15
35	KPMG LLP	PO Box 4348 Station A Toronto ON M5W 7A6	80,915.45	0.00	80,915.45
36	KUMC Research Institute, Inc.	3901 Rainbow Boulevard, Mail Stop 1039 Kansas City KS 66160 USA	9,783.92	0.00	9,783.92
37	Lehey Clinic, Inc.	Alln: Research Administration, 41 Mall Rd. Burlington MA 01805 USA	859.59	0.00	859.59
38	London Health Sciences Centre Research In	339 Windermere Rd., room B10-026 London ON N6A 5A5	3,649.14	0.00	3,649.14
39	Matthew Carlyle	506 - 1168 Hamilton St Vancouver BC V6B 2S2	541,739.48	0.00	541,739.48
40	Mayo Clinic Arizona	Altir: Remit Processing - 200 1st Street, S.W., PO Box 4006 Rochester MN 55903-4006 USA	23,813.76	0.00	23,813.76
41	Mayo Clinic Jacksonville	4500 San Pablo Road Jacksonville FL 32224 USA	16,708.88	0.00	16,708.88
42	Mayo Clinic Rochester	200 First Street SW., PO Box 4008 Rochester MN 55903-4008 USA	6,975.24	0.00	6,975.24
43	McCarthy Tétrauli LLP	P.O. Box 10424, Suite 1300, 777 Dunsmuir Street Vancouver BC V7Y 1K2	280.00	0.00	280.00
44	MGH, Neurology Clinical Trials	149 13th Street, Suite 2264 Charlottesville MA 02129 USA	5,917.23	0.00	5,917.23
45	National Institute of Health	P.O. Box 979071 St. Louis MO 63197-9000 USA	15,240.00	0.00	15,240.00

29-May-2013

Date



Matthew J Carlyle

District of: British Columbia
 Division No. 03 - Vancouver
 Court No.
 Estate No. 11-1753091

FORM 78 - Continued

List "A"
 Unsecured Creditors

Allon Therapeutics Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
46	Newcastle Upon Tyne Hospital	NHS Foundation Trust, Freeman Hospital High Heaton, Newcastle, Upon Tyne, NE7 7DN Newcastle 00000 UK	11,272.25	0.00	11,272.25
47	Ottawa Hospital Research Institute	725 Parkdale Avenue Ottawa ON K1Y 4E9	6,899.00	0.00	6,899.00
48	Pacific Northwest Statistical Consulting	18133 154 Ave NE Woodinville WA 98072 USA	16,997.18	0.00	16,997.18
49	Parkinson's Disease and Movement Disorder Center of Boca Raton	951 N.W. 13th Street Bldg SE Boca Raton FL 33486 USA	11,764.30	0.00	11,764.30
50	PD Dr. Brit Moellenhauer	Paracelsus-Elena-Klinik, Klinikstrasse 16 Kassel 34128 Germany	28,883.53	0.00	28,883.53
51	PD Dr. Stefan Lorenzl	Klinikum Grobhadern, University of Munich, Marchioninistrasse 15 Munchen 81377 Germany	8,904.73	0.00	8,904.73
52	Premium Springs Water Company Inc.	#208-5529 192 Street Surrey BC V3S 8E5	0.00	0.00	0.00
53	Primus Telecommunications Canada Incorporated Attn: Receivables Management Department Help Desk	400 - 5343 Dundas Street West Etobicoke ON M9B 6K5	46.72	0.00	46.72
54	Prof. Dr Gunter Hoglinger	Universitätsklinikum Giessen und Marburg Munche 81377 Germany	6,602.40	0.00	6,602.40
55	Prof. Dr. Axel Lipp	Humboldt University Charlie, Capus Virchow, Neurologische Poliklinik - Augustenburger Platz 1 Berlin 13353 Germany	7,860.00	0.00	7,860.00
56	Prof. Dr. Dirk Woltalla	Neurologisch Klinik der Ruhr-Universität im, St. Josef Hospital, Bochum, D-44781 Bochum 00000 Germany	13,715.70	0.00	13,715.70
57	Prof. Dr. Heinz Reichmann	Universitätsklinikum Carl Gustav Carus an der Technischen Universität Dresden, Haus 62 Raum 007, EG, Schubertstr. 18 Dresden 01307 Germany	14,419.72	0.00	14,419.72
58	Prof. Dr. Reiner Benecke	Universität Rostock, Zentrum Für Nervenheilkunde, Klinik Für Neurologie und Poliklinik, Gehlsheimer Strasse 20 Rostock 18147 Germany	9,965.74	0.00	9,965.74
59	Prof. Jean - Christophe Corvol	Hopital Pitié Salpêtrière, Bâtiment ICM - 1er etage, 47-83 boulevard de l'Hopital Paris 75013 France	104,699.77	0.00	104,699.77
60	RAMOT	P.O. Box 39296, 32 Haim Levanon Street Tel Aviv 61392 Israel	53,338.18	0.00	53,338.18
61	RBC Dominion Securities Inc.	5th Floor - 1065 West Georgia St Vancouver BC V6E 3N9	0.00	0.00	0.00
62	RBC Royal Bank	PO Box 4016, Station "A" Toronto ON M5W 2E6	3,684.36	0.00	3,684.36
63	RBC Royal Bank of Canada	PO Bag Service 2650 Calgary AB T2P 2M7	0.00	0.00	0.00
64	Regents of The University of Minnesota	NW 5957 PO Box 1450 Minneapolis MN 55405-5957 USA	8,408.70	0.00	8,408.70
65	Research Pharmaceutical Services, Inc.	PO Box 1028, Manly, NSW 1655 00000 Australia	24,685.63	0.00	24,685.63

29-May-2013

Date


 Matthew J. Carlyle

District of: British Columbia
 Division No. 03 - Vancouver
 Court No.
 Estate No. 11-1753091

FORM 78 - Continued

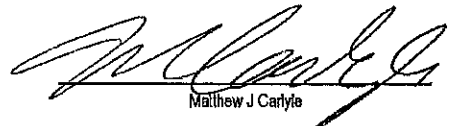
List "A"
 Unsecured Creditors

Allon Therapeutics Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
66	Research Pharmaceutical Services, Inc.	P.O. Box 827930 Philadelphia PA 19182-7930 USA	450,583.42	0.00	450,583.42
67	S. Karger AG, Basel	PO Box - Postfach, CH-4009 Basel 00000 Switzerland	3,889.60	0.00	3,889.60
68	Salford Royal NHS Foundation Trust	554 Eccles New Road, Salford, M5 5AP Salford 00000 UK	11,912.74	0.00	11,912.74
69	SAS Protisvalor Mediterranee	8 Rue Sainte Barbe Marseille 13001 France	23,978.07	0.00	23,978.07
70	The Regents of the University of California	David Geffen School of Medicine, Department of Neurology, 710 Westwood Plaza, 4-231 Los Angeles CA 90095-1769 USA	17,486.37	0.00	17,486.37
71	The Regents of the University of California	UCSF Accounting - Extramural Funding, 1855 Folsom Street, Room 425, Campus Mall Box 0815 San Francisco CA 94143 USA	13,773.87	0.00	13,773.87
72	The Regents of the University of California	UCSD Office of Clinical Trial Administration, 9500 Gilman Drive, University Center 202 La Jolla CA 92093-0706 USA	14,844.95	0.00	14,844.95
73	The Regents of the University of California	UC Accounting - Extramural Funding, 1855 Folsom Street, Room 425, Campus Mailbox 0897 San Francisco CA 94143-0897 USA	94,766.79	0.00	94,766.79
74	The Regents of the University of Michigan	Department of Neurology, 2301 Commonwealth Blvd. Ann Arbor MI 48105-2945 USA	13,282.16	0.00	13,282.16
75	The Research Institute of the McGill University Health Center	2155 Guy Street, Suite 500 Montreal QC H3H 2R9	10,290.06	0.00	10,290.06
76	The Trustees of the University of Pennsylvania	Office of Research Services, P-221 Franklin Building, 3451 Walnut Street Philadelphia PA 19104-6205 USA	16,489.44	0.00	16,489.44
77	The University of North Carolina at Chapel Hill	Department of Neurology, 170 Manning Drive, CB 7025 Chapel Hill NC 27599 USA	16,873.56	0.00	16,873.56
78	The University of Texas Southwestern Medical Center at Dallas	PO Box 842265 Dallas TX 76284-2265 USA	15,864.75	0.00	15,864.75
79	Trustees of Columbia University in the City of New York	Columbia University Clinical Trials Office, PO Box 26453 New York NY 10087-6453 USA	7,108.45	0.00	7,108.45
80	TSX Inc (Toronto Stock Exchange (TO))	P.O. Box 56297 STN A Toronto ON M5W 4L1	14,189.64	0.00	14,189.64
81	UMDNJ-Robert Wood Johnson Medical School	Dept. of Neurology, 97 Paterson St. New Brunswick NJ 08901 USA	25,708.32	0.00	25,708.32
82	University Hospital of Ulm	Oberer Eselsberg 45 Ulm 89081 Germany	9,746.40	0.00	9,746.40
83	University Hospitals	Center for Clinical Research, P.O. Box 74420 Cleveland OH 44194-4420 USA	10,210.86	0.00	10,210.86
84	University of Alabama at Birmingham	Neurology, 350 Sparks Center, 1720 7th Ave. South Birmingham AL 35233 USA	9,867.33	0.00	9,867.33
85	University of Chicago	Department of Neurology, 5841 S. Maryland, MC 2030 Chicago IL 60637 USA	12,213.63	0.00	12,213.63

29-May-2013

Date


 Matthew J Carlyle

District of: British Columbia
 Division No. 03 - Vancouver
 Court No.
 Estate No. 11-1753091

FORM 78 - Continued

List "A"
 Unsecured Creditors
 Allon Therapeutics Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
86	University of Louisville Research Foundat	501 East Broadway, Suite 210 Louisville KY 40202 USA	29,474.28	0.00	29,474.28
87	University of Pennsylvania	Franklin Building, 3451 Walnut Street, P221 Philadelphia PA 19104-6205 USA	7,556.25	0.00	7,556.25
88	University of South Florida	PO Box 854687 Orlando FL 32886-4687 USA	645.48	0.00	645.48
89	University of Utah	Center for Alzheimer's Care, 850 Kornes Drive, Suite 106A Salt Lake City UT 84108 USA	39,003.83	0.00	39,003.83
90	Western Institutional Review Board	Dept 106091, PO Box 150434 Hartford CT 06115-0434 USA	207.54	0.00	207.54
91	Xerox Canada Ltd.	PO Box 4539 Station A Toronto ON M5W 4P5	1,780.80	0.00	1,780.80
Total:			3,386,041.33	0.00	3,386,041.33

29-May-2013

Date


 Matthew J Carlyle

District of: British Columbia
Division No. 03 - Vancouver
Court No.
Estate No. 11-1753091

FORM 78 - Continued

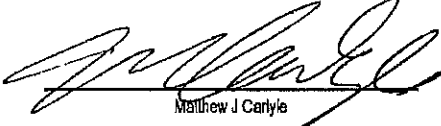
List "B"
Secured Creditors

Allon Therapeutics Inc.

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim unsecured
1	Xerox Canada Ltd.	PO Box 4539 Station A Toronto ON M5W 4P5	1.00	Other - Copier	06-Dec-2010	1.00		
Total:			1.00			1.00	0.00	0.00

29-May-2013

Date


Matthew J Carlyle

District of: British Columbia
Division No. 03 - Vancouver
Court No.
Estate No. 11-1753091

FORM 78 -- Continued


List "C"
Preferred Creditors for Wages, Rent, etc.

Ailon Therapeutics Inc.

No.	Name of creditor	Address and occupation	Nature of claim	Period during which claim accrued	Amount of claim	Amount payable in full	Difference ranking for dividend
Total:					0.00	0.00	0.00

29-May-2013

Date


Matthew J. Carlyle

District of: British Columbia
Division No. 03 - Vancouver
Court No.
Estate No. 11-1753091

FORM 78 - Continued

List "D"
Contingent or Other Liabilities

Allon Therapeutics Inc.

No.	Name of creditor or claimant	Address and occupation	Amount of liability or claim	Amount expected to rank for dividend	Date when liability incurred	Nature of liability
Total:			0.00	0.00		

29 May 2013

Date


Matthew J. Carlyle

District of: British Columbia
Division No. 03 - Vancouver
Court No.
Estate No. 11-1753091

FORM 78 - Continued

List "E"
Debts Due to the Debtor
Allon Therapeutics Inc.

No.	Name of debtor	Address and occupation	Nature of debt	Amount of debt (good, doubtful, bad)	Folio of ledgers or other book where particulars to be found	When contracted	Estimated to produce	Particulars of any securities held for debt
Total:				0.00 0.00 0.00			0.00	

29-May-2013

Date


Matthew J Carley

District of: British Columbia
Division No. 03 - Vancouver
Court No.
Estate No. 11-1753091

FORM 78 -- Continued

List "F"

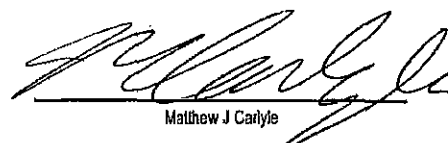
Bills of Exchange, Promissory Notes, Lien Notes, Chattel
Mortgages, etc., Available as Assets

Allon Therapeutics Inc.

No.	Name of all promissory, acceptors, endorsers, mortgagors, and guarantors	Address	Occupation	Amount of bill or note, etc.	Date when due	Estimated to produce	Particulars of any property held as security for payment of bill or note, etc.
Total:				0.00		0.00	

29-May-2013

Date


Matthew J Carlyle

District of: British Columbia
Division No. 03 - Vancouver
Court No.
Estate No. 11-1753091

FORM 78 -- Continued

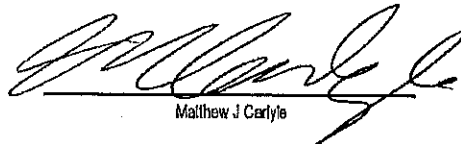
List "G"
Real Property or Immovables Owned by Debtor

Ailon Therapeutics Inc.

Description of property	Nature of debtor interest	In whose name does title stand	Total value	Particulars of mortgages, hypothecs, or other encumbrances (name, address, amount)	Equity or surplus
Total:			0.00		0.00

29-May-2013

Date


Matthew J Carlyle

District of: British Columbia
 Division No. 03 - Vancouver
 Court No.
 Estate No. 11-1753091

FORM 78 -- Concluded

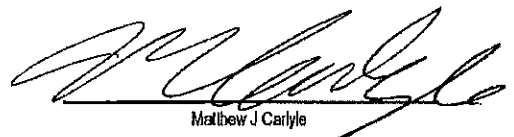
List "H"
 Property

Allon Therapeutics Inc.
 FULL STATEMENT OF PROPERTY

Nature of property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade			0.00	0.00
(b) Trade fixtures, etc.			0.00	0.00
(c) Cash in financial institutions			0.00	0.00
(d) Cash on hand		Cash on hand	172,622.00	172,622.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant			0.00	0.00
(g) Furniture		Furniture and equipment	2,957.00	1.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities			0.00	0.00
(j) Interests under wills, etc.			0.00	0.00
(k) Vehicles			0.00	0.00
(l) Taxes		GST/HST - 2013	6,492.00	6,492.00
(m) Other		Allon Therapeutics, Inc. (100% wholly owned subsidiary)	24,317,642.59	0.00
		Intellectual properties	0.00	0.00
		Prepaid insurance and deposits	12,173.73	1.00
		Deposit	30,000.00	30,000.00
		Copier	0.00	1.00
Total:			209,117.00	

29-May-2013

Date


 Matthew J. Carlyle

Court No.

File No. 11-1753091

In the matter of the proposal of
Allon Therapeutics Inc.
of the City of Vancouver, in the Province of British
Columbia

Form 78 (Bill C-12)
Statement of affairs (Business bankruptcy)

Deloitte & Touche Inc. - Trustee

2800 - 1055 Dunsmuir Street, PO Box 49279
Vancouver BC V7X 1P4
Phone: (604) 534-0921 Fax: (604) 534-7429