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

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 033-80623

OncoGenex Pharmaceuticals, Inc.

(Exact name of the registrant as specified in its charter)

Delaware	**95-4343413**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1522 217 th Place SE, Suite 100, Bothell, Washington 98021
(Address of principal executive offices, including zip code)

(425) 686-1500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Exchange on Which Registered**
Common Stock, par value $0.001 per share	The NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of 15(d) of the Act.Yes ☐ No ☑

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of June 30, 2008, the aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant was $10,586,778. As of March 3, 2009, 5,548,469 shares of the registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission not later than April 30, 2009, in connection with the solicitation of proxies for its 2009 Annual Meeting of Stockholders, are incorporated by reference into Items 10, 11, 12, 13 and 14 of Part III hereof.

OncoGenex Pharmaceuticals, Inc.

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PART I

References in this Form 10-K to "OncoGenex Pharmaceuticals", "OncoGenex", the "Company", "we", "us" or "our" refer to OncoGenex Pharmaceuticals, Inc. and its wholly owned subsidiaries. The information in this Form 10-K contains certain forward-looking statements, including statements related to clinical trials, regulatory approvals, markets for the Company's products, new product development, capital requirements and trends in its business that involve risks and uncertainties. The Company's actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include those discussed in "Business", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as those discussed elsewhere in this Form 10-K.

ITEM 1. BUSINESS

Overview of Our Business

OncoGenex is a biopharmaceutical company committed to the development and commercialization of new cancer therapies that address unmet needs in the treatment of cancer. The Company has five product candidates in its pipeline, with each product candidate having a distinct mechanism of action and representing a unique opportunity for cancer drug development.

OncoGenex' product candidates OGX-011, OGX-427 and OGX-225 focus on mechanisms of treatment resistance in cancer patients and are designed to address treatment resistance by blocking the production of specific proteins which it believes promote survival of tumor cells and are over-produced in response to a variety of cancer treatments. OncoGenex' aim in targeting these particular proteins is to disable the tumor cell's adaptive defenses and thereby render the tumor cells more susceptible to attack with a variety of cancer therapies, including chemotherapy, which OncoGenex believes will increase survival time and improve the quality of life for cancer patients. Product candidate SN2310 is a novel camptothecin for the treatment of cancer. Camptothecins are potent anticancer agents that belong to the family of drugs called topoisomerase I inhibitors that bind reversibly to the TOPO-I-DNA complex causing breaks in the DNA strands during replication resulting in cell death. Product candidate CSP-9222 is the lead compound from a family of compounds, which have been in-licensed from Bayer Healthcare LLC ("Bayer"), that demonstrate activation of programmed cell death in pre-clinical models.

OncoGenex has conducted five phase 2 clinical trials to evaluate the ability of OGX-011 to enhance the effects of therapy in prostate, non-small cell lung and breast cancers. Preliminary or final results have been presented for each of these phase 2 studies. OncoGenex believes that its pre-clinical and clinical data support the use of OGX-011 to improve the activity of chemotherapy in both castrate resistant prostate cancer ("CRPC") and non-small cell lung cancer ("NSCLC") indications. OncoGenex will initially focus its development efforts on the CRPC indication. OncoGenex has designed phase 3 registration clinical trials to evaluate the clinical benefit of OGX-011 in CRPC. Refer to "Summary of OGX-011 Product Registration Strategy" and "Summary of Preliminary Results of OGX-011 Phase 2 Clinical Trials" for further details.

OGX-427, an inhibitor of heat shock protein 27, is being evaluated in a phase 1 clinical trial to evaluate safety for OGX-427 administered alone, as well as in combination with docetaxel chemotherapy ("docetaxel"), in patients with various types of cancer. Enrollment in the OGX-427 monotherapy aspect of the phase 1 clinical trial is complete. Enrollment in the OGX-427 in combination with docetaxel aspect of the clinical trial is ongoing.

SN2310 was evaluated in a phase 1 clinical trial to evaluate safety in patients with advanced cancer who have received on average 3 to 5 prior chemotherapy treatments. The phase 1 clinical trial has been completed.

OGX-225, an inhibitor of insulin growth factor binding proteins 2 and 5, and CSP-9222 are in pre-clinical development.

Recent Corporate History

We use the term "OncoGenex Technologies" to refer to the business of OncoGenex Technologies Inc. prior to August 21, 2008 and the term "Sonus" to refer to the business of Sonus Pharmaceuticals, Inc. prior to August 21, 2008. On August 21, 2008, Sonus completed its acquisition (the "Arrangement") of OncoGenex Technologies, a Canadian corporation, as contemplated by the Arrangement Agreement between Sonus and OncoGenex Technologies dated May 27, 2008 (the "Arrangement Agreement"). Under the terms of the Arrangement Agreement, Sonus changed its name to OncoGenex Pharmaceuticals, Inc., amended its share capital, instituted an one-for-eighteen reverse share split and issued 3,449,393 shares of common stock of the Company (after accounting for the elimination of resulting fractional shares) in exchange for all the common shares, preferred shares and convertible debentures of OncoGenex Technologies. As a result, OncoGenex Technologies became a wholly-owned subsidiary of the Company. As at August 21, 2008 former OncoGenex Technologies securityholders held more than 60% of the outstanding shares of common stock of the Company, including certain shares which were placed into escrow under the terms of the Arrangement Agreement. Effective at the market opening on August 21, 2008, the Company's common stock commenced trading on the Nasdaq Capital Market under the symbol "OGXI". More information concerning the Arrangement is contained in our Current Report on Form 8-K filed on August 21, 2008 and our Definitive Proxy Statement on Schedule 14A filed on July 3, 2008. By December 3, 2008, all escrowed shares had been released from escrow upon the satisfaction of the escrow conditions.

The consolidated financial statements account for the Arrangement as a reverse acquisition, whereby OncoGenex Technologies is deemed to be the acquiring entity from an accounting perspective. The consolidated results of operations of the Company for the year ended December 31, 2008 include the results of operations of only OncoGenex Technologies for the time period of January 1, 2008 through August 20, 2008 and include the results of the combined company following the completion of the Arrangement on August 21, 2008. The consolidated results of operations for the years ended December 31, 2007 and December 31, 2006 include only the consolidated results of operations of OncoGenex Technologies and do not include historical results of Sonus. This treatment and presentation is in accordance with Statement of Financial Accounting Standards No. 141 ("SFAS 141"). Information relating to the number of shares, price per share and per share amounts of common stock are presented on a post- reverse stock split basis, as a reverse stock split in the ratio of one-for-eighteen was effected in connection with the Arrangement.

Sonus was incorporated in October 1991 and OncoGenex Technologies was incorporated in May 2000. The Company has devoted substantially all of its resources to the development of its product candidates. To date, OncoGenex Technologies has funded its operations primarily through the private placements of equity securities, and Sonus has funded its operations primarily through private and public placements of equity securities. Neither company has ever been profitable. The Company incurred a loss for the year ended December 31, 2008 of $6.2 million and has a cumulative loss of $48 million since OncoGenex Technologies' inception in 2000 through December 31, 2008.

We require additional funding to support our planned operations, including our planned phase 3 clinical trials of OGX-011 in patients with CRPC. We may obtain additional funding through executing a partnership or collaboration agreement with a third party that has sufficient resources to fund the development of our product candidates or the licensing or sale of certain of our product candidates, or through private or public offerings of our equity securities or debt financings. There can be no assurance that we will be able to obtain additional funding on terms favorable to us, or at all. If we are successful in obtaining additional funding and initiating one or both of our phase 3 clinical trials with OGX-011, then, unless the costs of development are borne by a third party pursuant to a partnership or collaboration agreement, we anticipate that our losses will rapidly increase, due primarily to the costs associated with phase 3 clinical trials.

Management believes that the Company's existing personnel and facilities are sufficient to carry on existing development activities. OncoGenex is unable to predict when, if ever, it will be able to commence the sale of any of its product candidates.

Our Product Candidates

OncoGenex has three product candidates in clinical development (OGX-011, OGX-427, and SN2310) and two product candidates in pre-clinical development (CSP-9222 and OGX-225).

OGX-011 — Executive Summary

Refer to "Summary of OGX-011 Product Registration Strategy" and "Summary of Preliminary Results of OGX-011 Phase 2 Clinical Trials" for further details.

Through its clinical trials, OncoGenex is treating cancer patients with OGX-011 to reduce clusterin production. Clusterin is a protein that is over-produced in several types of cancer and in response to many cancer treatments, including hormone ablation therapy, chemotherapy and radiation therapy. Preclinical and other data suggest that clusterin promotes cell survival. Increased clusterin production has been linked to faster rates of cancer progression, treatment resistance and shorter survival duration. Since increased clusterin production is observed in many human cancers, including prostate, non-small cell lung, breast, ovarian, bladder, renal, pancreatic, anaplastic large cell lymphoma and colon cancers and melanoma, OncoGenex believes that OGX-011 may have broad market potential to treat many cancer indications and disease stages.

A broad range of pre-clinical studies conducted by the Prostate Centre at Vancouver General Hospital ("the Prostate Centre") and others have shown that reducing clusterin production with OGX-011: (i) facilitates tumor cell death by sensitizing human prostate, non-small cell lung, breast, ovarian, bladder, renal and melanoma tumor cells to various chemotherapies; and (ii) sensitizes prostate tumor cells to hormone ablation therapy and sensitizes prostate and non-small cell lung tumor cells to radiation therapy. Pre-clinical studies conducted by the Prostate Centre also indicate that reducing clusterin production with OGX-011 re-sensitizes docetaxel-resistant prostate tumor cells to docetaxel.

Our phase 1 clinical trials evaluated the safety and established a recommended phase 2 dose of OGX-011 in combination with docetaxel (two different schedules), gemcitabine and a platinum chemotherapy or hormone ablation therapy. Docetaxel, gemcitabine, and platinum regimen are all examples of chemotherapy. In all of our phase 1 clinical trials, 640 mg, the highest dose evaluated, was well tolerated and established as the recommended phase 2 dose.

We have conducted five phase 2 clinical trials to evaluate the ability of OGX-011 to enhance the effects of therapy in prostate, non-small cell lung and breast cancer. Based on our phase 2 results in 294 patients treated with OGX-011 (or over 300 patients if including patients in control groups), we believe that both the CRPC and NSCLC indications warrant development effort towards achieving marketing approval, although we will initially focus our resources on the CRPC indication.

Interim data is available from each of the five phase 2 studies which demonstrate that adding OGX-011 to therapy shows potential benefit of OGX 011 — refer to "Summary of Preliminary Results of OGX-011 Phase 2 Clinical Trials" for further details:

- longer survival duration when adding OGX-011 to first-line docetaxel compared to first-line docetaxel alone in patients with CRPC within a randomized phase 2 trial;
- longer survival duration when adding OGX-011 to either mitoxantrone or docetaxel as second-line chemotherapy compared to survival duration observed in two published studies of CRPC patients receiving second-line chemotherapy (One is a study in patients with better prognostic risk factors who received docetaxel as second-line chemotherapy which was conducted at the British Columbia Cancer Agency ("BCCA") and presented at the American Society of Clinical Oncology ("ASCO") Genitourinary ("GU") Conference in 2008 ("BCCA Study") and the second study is the follow-up evaluation of patients on the TAX 327 Study who later received second-line chemotherapy. The TAX 327 Study ("The TAX 327 Study") was the key registration study that showed a survival benefit for docetaxel over mitoxantrone for first-line chemotherapy treatment of patients with metastatic CRPC);

- increased frequency and duration of pain palliation when adding OGX-011 to either mitoxantrone or docetaxel as second-line chemotherapy compared to the frequency and duration of pain palliation observed in the TAX 327 Study for first-line chemotherapy alone in patients with CRPC; and

- longer survival duration when adding OGX-011 to gemcitabine and a platinum-containing chemotherapy compared to the survival duration reported in prior published results from randomized clinical trials in NSCLC patients receiving gemcitabine and a platinum-containing chemotherapy.

On December 3, 2008, OncoGenex Pharmaceuticals announced that OGX-011 showed an overall median survival advantage in a randomized, controlled phase 2 trial in first-line treatment of metastatic CRPC, in which the median survival for patients receiving OGX-011 in combination with docetaxel and prednisone was 27.5 months, compared to 16.9 months in patients receiving docetaxel and prednisone alone. The current results are based on trial data with a median follow-up of approximately 30 months for both arms. Additional survival updates are needed before a mature median survival for the OGX-011 arm can be reported. Based on the current results, OncoGenex has calculated that the final median survival for patients in the OGX-011 arm cannot be lower than 22.7 months. In addition to the encouraging survival data, CRPC patients receiving OGX-011 in combination with first-line chemotherapy had lower rates of disease progression and fewer treatment failures resulting in patients receiving an overall greater median number of chemotherapy treatment cycles and being maintained on chemotherapy longer than patients receiving chemotherapy alone. ASCO has selected an abstract on this clinical trial for oral presentation, and we expect that data from this clinical trial will be presented at their 2009 Annual Meeting in the second quarter of our 2009 fiscal year.

At the 2008 ASCO Annual Meeting, OGX-011 phase 2 data in second-line chemotherapy treatment of CRPC were reported. The interim data from this clinical trial showed evidence that adding OGX-011 to docetaxel as second-line chemotherapy may have reversed docetaxel resistance in some patients whose disease had progressed while being treated with first-line docetaxel. Based on all patients treated on the phase 2 trial, reduction in pain was observed in at least 46% of patients for a median duration of more than four months. In preliminary analyses, the mean average levels of serum clusterin during the OGX-011 treatment period were significantly lower compared to baseline levels before OGX-011 treatment and low average serum clusterin levels were predictive of survival with low serum clusterin levels correlating to longer survival.

OncoGenex believes that its pre-clinical and clinical data support the use of OGX-011 to improve the activity of chemotherapy in both CRPC and NSCLC indications. OncoGenex will initially focus its development efforts on the CRPC indication for OGX-011 in combination with docetaxel when administered as either first-line or second-line chemotherapy. We have designed three possible phase 3 clinical trials to evaluate the clinical benefit of OGX-011 in CRPC. We believe that two of the three phase 3 studies will be initiated and will be required for product marketing approval. Currently, we plan to discuss with the U.S. Food and Drug Administration (“FDA”) the phase 3 registration trial evaluating first-line docetaxel with and without OGX-011 and the strategy of combining the first-line registration trial with one of the second-line clinical trials for a New Drug Application (“NDA”). Determination of which of the two second-line studies will be conducted is dependent upon further discussions with FDA. We previously reached an agreement with the FDA on the design of the phase 3 registration trial for evaluating a survival benefit for OGX-011 in combination with second-line chemotherapy in men with CRPC. This agreement was achieved under the Special Protocol Assessment (“SPA”) process. Similarly we plan to reach an agreement with the FDA on the phase 3 registration trial evaluating survival benefit for OGX-011 in combination with first-line docetaxel in men with CRPC.

In the third quarter of 2008 OncoGenex discussed with the FDA, in a teleconference meeting, the design of the clinical trial evaluating durable pain palliation for OGX-011 in combination with docetaxel as second-line chemotherapy. FDA agreed that “durable pain palliation is an acceptable and desirable trial endpoint” to support a product marketing approval for OGX-011 as a treatment for CRPC. In addition, the FDA provided detailed guidance on the submitted protocol including recommendations on other trial endpoints, the appropriate patient population, entry criteria and trial conduct. OncoGenex intends to reach agreement on this clinical trial with the FDA under the SPA process prior to initiating this registration trial. We have recently submitted the protocol to the FDA under the SPA process. Refer to “Summary of OGX-011 Product Registration Strategy” for further details.

OncoGenex has also received Fast Track designation from the FDA for development of OGX-011 in combination with docetaxel for progressive metastatic prostate cancer. Fast Track designation was granted on the basis that OGX-011 may provide a significant improvement in the treatment for a serious or life-threatening disease.

We believe that the consistent and mature results from across our completed phase 2 trials for OGX-011, as well as our advanced regulatory strategy, including a Special Protocol Assessment and Fast Track Status, has the Company well positioned as we look to partnering strategies.

As of February 9, 2009, OGX-011 had been administered to 294 patients with various types of cancer. Some of the patients experienced various adverse events, the majority of which are associated with other treatments in the protocol and the disease. The majority of adverse events were mild and the most common adverse events associated with OGX-011 consisted of flu-like symptoms. The moderate and severe adverse events most commonly associated with OGX-011 (occurring in ³ 2% of patients) were neutropenia, vomiting, diarrhea, and difficulty breathing ("dyspnea").

The United States adopted name ('USAN") for the OGX-011 drug product is custirsen sodium.

OGX-427

The development program for OncoGenex' second product candidate, OGX-427, is focused on reducing heat shock protein 27 production to enhance treatment sensitivity and delay tumor progression in patients who have not fully developed treatment resistance and to restore treatment sensitivity in patients who have developed treatment resistance. Heat shock protein 27 is also a protein that is over-produced in response to many cancer treatments and which we believe promotes cell survival based on preclinical data.

A number of pre-clinical studies conducted by the Prostate Centre and others have shown that inhibiting the production of Hsp27 in human prostate, breast, ovarian, pancreatic and bladder tumor cells sensitizes the cells to chemotherapy. Pre-clinical studies conducted by the Prostate Centre and others have shown that reducing Hsp27 production induced tumor cell death in prostate, breast, non-small cell lung, bladder and pancreatic cancers. The Prostate Centre has also conducted pre-clinical studies that indicate that reducing Hsp27 production sensitizes prostate tumor cells to hormone ablation therapy.

OncoGenex is developing OGX-427 as a monotherapy and to enhance the effects of chemotherapy in a variety of cancers. OGX-427 is being evaluated in a phase 1 clinical trial both as a monotherapy and in combination with chemotherapy. OncoGenex began treating patients in this clinical trial in July 2007 and completed the monotherapy evaluation of OGX-427 at the end of 2008. There has not been dose-limiting toxicity defining the maximum tolerated dose. As specified in the protocol, since the maximum tolerated dose for OGX-427 as a monotherapy was not reached after evaluating the 1000 mg dose, the 800- and 1000-mg dose will be evaluated in combination with docetaxel. Evaluation of OGX-427 in combination with docetaxel is ongoing. ASCO has selected an abstract on this clinical trial for oral presentation, and we expect that data from this clinical trial will be presented at their 2009 Annual Meeting in the second quarter of our 2009 fiscal year.

As of February 12, 2009, OGX-427 has been administered to 34 patients with various types of cancer in a phase 1 clinical trial. Enrollment in the OGX-427 monotherapy aspect of the phase 1 clinical trial is complete and dose-limiting toxicity was not reached at the highest doses evaluated. Enrollment in the OGX-427 in combination with docetaxel aspect of the clinical trial is ongoing. All patients experienced adverse events, the majority of which were unrelated to OGX-427. Of the adverse events associated with OGX-427, the majority of adverse events were mild and the most common adverse events consisted of flu-like symptoms, infusion-related reactions, pruritus and flushing. Serious adverse events have been reported for seventeen patients (50%). The serious adverse events were unrelated to OGX-427 administration for 14 patients and associated with OGX-427 administration for 3 patients. The events that were associated with OGX-427 administration were elevated creatinine in two patients, an indicator of kidney function, and rigors and chills in one patient.

SN2310

Product candidate SN2310 is a novel camptothecin for the treatment of cancer. Camptothecins are potent anticancer agents that belong to the family of drugs called topoisomerase I inhibitors that bind reversibly to the TOPO-I-DNA complex causing breaks in the DNA strands during replication resulting in cell death. The phase 1 clinical trial evaluated safety in patients with advanced cancer who have received on average 3 to 5 prior chemotherapy treatments.

SN2310 has been administered to 26 patients with various types of cancer in a phase 1 clinical trial. The phase 1 clinical trial has been completed and the dose-limiting toxicity that defined a maximum tolerated dose in this heavily pretreated patient population, as expected, was a significant decrease in the number of neutrophils ("neutropenia"), a type of white blood cell that is involved in the body's defense against infections. Some of the patients experienced adverse events, which were considered unrelated to the trial drug and attributed to the underlying disease. Of the adverse events associated with the administration of SN2310, most were mild and the most common events were nausea, diarrhea, vomiting and fatigue. Mild to moderate reactions (back/chest pain, flushing) have been observed during infusions. Significant neutropenia has occurred in some patients and was the dose-limiting toxicity observed, sometimes associated with fever or septicemia.

OGX-225

The development program for OncoGenex' fourth product candidate, OGX-225, is focused on reducing the production of both insulin-like growth factor binding protein 2 ("IGFBP-2") and insulin-like growth factor binding protein 5 ("IGFBP-5") with a single product to enhance treatment sensitivity and delay tumor progression. Increased IGFBP-2 or IGFBP-5 production is observed in many human cancers. Increased IGFBP-2 or IGFBP-5 production is linked to faster rates of cancer progression, treatment resistance and shorter survival duration. OncoGenex believes employing OGX-225 as a single product to simultaneously inhibit the production of both IGFBP-2 and IGFBP-5 has the potential to delay disease progression in cancers dependent upon insulin-like growth factor 1 ("IGF-1"), for proliferation. OncoGenex has completed pre-clinical proof of concept studies with OGX-225.

OncoGenex believes that because IGFBP-2 and IGFBP-5 are over-produced in a variety of cancers, OGX-225 may have broad market potential to treat many cancer indications. OncoGenex believes that the initial opportunity for OGX-225 would be in breast and prostate cancer patients early in the course of their recurrence after failed hormone ablation therapy.

OncoGenex has identified the lead compound and has completed numerous pre-clinical proof of concept studies with OGX-225 indicating that it delays progression to hormone independence in prostate and breast cancer model systems. OncoGenex has not defined when it will initiate the pre-clinical studies required for a regulatory submission and initiation of phase 1 clinical trials.

CSP-9222

Product candidate CSP-9222 is the lead compound from a family of caspase activators. These novel, small molecules have been identified as activators of programmed cell death in pre-clinical models.

The following table summarizes the status of OncoGenex' product development programs:

Product Candidate	Cancer Indication and Study	Treatment Combination(1)	Development Phase/Status	Recent and Expected Near Term Data Releases
OGX-011 phase 3(2)	Castrate Resistant Prostate Cancer — Survival Endpoint (OGX-011-11)	First-line docetaxel with and without OGX-011	• Not yet initiated; Protocol being developed	• Initiation of trial conditional upon partnering or financing
	Castrate Resistant Prostate Cancer — Survival Endpoint (OGX-011-08)	Docetaxel as second-line chemotherapy with and without OGX-011	• Not yet initiated; SPA approved by the FDA	• Initiation of trial conditional upon partnering or financing
	Castrate Resistant Prostate Cancer — Durable Pain Palliation Endpoint (OGX-011-10)	Docetaxel as second-line chemotherapy with and without OGX-011	• Not yet initiated; SPA pending	• Initiation of trial conditional upon partnering or financing
OGX-011 phase 2	Castrate Resistant Prostate Cancer (OGX-011-03)	First-line docetaxel with and without OGX-011	• Phase 2 ongoing — accrual and treatment complete	• Interim survival data presented Dec./08 • Data to be presented Q2/2009 at 2009 ASCO Annual Meeting
	Castrate Resistant Prostate Cancer (OGX-011-07)	OGX-011 with second-line chemotherapy (docetaxel or mitoxantrone)	• Phase 2 ongoing — accrual and treatment complete	• Interim data presented at ASCO GU Symposium 2008 Manuscript in preparation
	Castrate Resistant Prostate Cancer (OGX-011-07A)	OGX-011 with docetaxel as second-line chemotherapy	• Phase 2 ongoing — accrual and treatment complete	• Manuscript in preparation
	Advanced Non-Small Cell Lung Cancer (OGX-011-05)	OGX-011 with first-line chemotherapy (gemcitabine and cisplatin or gemcitabine and carboplatin)	• Phase 2 completed	• 2-year survival data presented Feb 2009. • Manuscript in preparation
	Localized Prostate Cancer (OGX-011-04)	OGX-011 with hormone ablation therapy	• Phase 2 completed	• Results presented at ASCO GU 2008
	Advanced Breast Cancer (OGX-011-06)	OGX-011 with docetaxel as second-line chemotherapy	• Phase 2 completed	• Data published in Clinical.Cancer.Research 2009
OGX-011 phase 1	Localized Prostate Cancer (OGX-011-01)	OGX-011 with hormone ablation therapy	• Phase 1 completed	• Data published in Journal of National Cancer Institutute 2005
	Solid Tumors (prostate, breast, NSCL, ovarian, renal, bladder, peritoneum) (OGX-011-02)	OGX-011 with docetaxel	• Phase 1 completed	• Data published Clinical Cancer Research 2008
OGX-427	Solid Tumors	OGX-427 with and without chemotherapy	• Phase 1 ongoing- accrual and treatment complete for evaluation of OGX-427 as monotherapy	• Monotherapy evaluation complete — maximum tolerated dose not determined at highest dose level. • 2009 — Determine maximum tolerated dose with chemotherapy • Data to be presented Q2/2009 at 2009 ASCO Annual Meeting
	Bladder Cancer	OGX-427 as monotherapy	• Not yet initiated; Initial patient enrolment expected in Q2/2009	• None
SN2310	Solid Tumors	SN2310 administered to heavily pre-treated patients with advanced cancer	• Phase 1 completed	• Enrolment and treatment completed - maximum tolerated dose determined
OGX-225	Solid Tumors	OGX-225 with and without chemotherapy	• Pre-clinical proof-of-concept studies completed	• None
CSP-9222	Solid Tumors	To be determined	• Formulation to be determined	• None

(1) In all of OncoGenex's prostate cancer clinical trials and in clinical practice for prostate cancer, docetaxel is administered in combination with prednisone.

(2) We have designed three possible phase 3 clinical trials to evaluate the clinical benefit of OGX-011 in CRPC. OncoGenex believes that two of the three studies will be required for product marketing approval. Currently, OncoGenex intends that the first-line docetaxel with and without OGX-011 will be combined with one of the second-line clinical trials. Determination of which of the two second-line studies will be conducted is dependent upon further discussions with the FDA.

Overview of Market and Treatment

In North America, cancer is expected to strike slightly fewer than one in two men and slightly more than one in three women in their lifetimes and has recently surpassed heart disease as the leading cause of death in the United States. The American Cancer Society estimated that in 2008 approximately 1,437,180 new patients in the United States would be diagnosed with cancer and that there would be approximately 565,650 patient deaths attributable to cancers.

Typically, cancer treatment is given sequentially and can include surgery, radiation therapy, chemotherapy and hormone therapy. Although a particular therapy may initially be effective, tumor cells often react to therapeutic treatment by increasing the production of proteins that afford them a survival advantage, which enable them to become resistant to therapy, multiply and spread to additional organs. As a result, many patients progress rapidly through all available therapies and ultimately die.

Our Strategy

- Focus on gaining market approval for OGX-011 by conducting registration trials that demonstrate efficacy and safety. OncoGenex believes that its pre-clinical and clinical data support the use of OGX-011 to improve the activity of chemotherapy in both CRPC and NSCLC indications. OncoGenex will initially focus its development efforts on the CRPC indication.

- Conclude a partnership or licensing agreement with a third party pharmaceutical or biotechnology company that has sufficient resources to fund, or co-fund with OncoGenex, the continued development of OGX-011.

- Advance OncoGenex' product pipeline by conducting clinical trials across multiple cancer indications for OGX-427. Consistent with the strategy OncoGenex is following for OGX-011, OncoGenex intends to conduct parallel clinical trials to evaluate OGX-427 in several cancer indications and treatment combinations to accelerate its assessment of this product candidate for further development.

- Focus on developing and commercializing new cancer therapies to inhibit treatment resistance in cancer patients. OncoGenex plans to leverage its expertise in discovery and development to bring new products to market as fast as possible. OncoGenex intends to maintain and develop its relationships with the Prostate Centre, and develop relationships with other research institutions in order to identify and source additional product candidates.

- Optimize the development of OncoGenex' product candidates through use of outsourcing and internal expertise. In order to increase efficiency and lower its overhead OncoGenex outsources and plans to continue to outsource pre-clinical and manufacturing activities. OncoGenex has chosen to establish critical product development functions in-house including clinical trial management and regulatory affairs.

Summary of OGX-011 Product Registration Strategy

Based on our phase 2 results in 294 patients treated with OGX-011 (or over 300 patients if including patients in control groups), we believe that registration trials for market approval are warranted with OGX-011 in CRPC and NSCLC, although we will initially focus its development efforts on the CRPC indication.

We have designed three possible phase 3 clinical trials to evaluate the clinical benefit of OGX-011 in CRPC. We believe that two of the three phase 3 studies will be initiated and required for product marketing approval. The three clinical trial designs are:

- Evaluating a survival benefit for OGX-011 in combination with first-line docetaxel treatment in approximately 800 men with CRPC;

- Evaluating a survival benefit for OGX-011 in combination with docetaxel as second-line chemotherapy in approximately 800 men with CRPC; and

- Evaluating a durable pain palliation benefit for OGX-011 in combination with docetaxel as second-line chemotherapy in approximately 300 men with CRPC.

Currently, we plan to discuss with the FDA the phase 3 registration trial evaluating first-line docetaxel with and without OGX-011 and the strategy of combining the first-line registration trial with one of the second-line clinical trials for NDA submission. Determination of which of the two second-line studies will be conducted is dependent upon further discussions with the FDA. We previously reached an agreement with the FDA on the design of the phase 3 registration trial for evaluating a survival benefit for OGX-011 in combination with second-line chemotherapy in men with CRPC. Similarly, we plan to reach an agreement with the FDA on the phase 3 registration trial evaluating survival benefit for OGX-011 in combination with first-line docetaxel in men with CRPC.

In the third quarter of 2008 OncoGenex discussed with the FDA, in a teleconference meeting, the design of the clinical trial evaluating durable pain palliation for OGX-011 in combination with docetaxel as second-line chemotherapy. The FDA agreed that "durable pain palliation is an acceptable and desirable trial endpoint" to support a product marketing approval for OGX-011 as a treatment for CRPC. In addition, the FDA provided detailed guidance on the submitted protocol including recommendations on other trial endpoints, the appropriate patient population, entry criteria and trial conduct. We have recently submitted the protocol to the FDA and intend to reach agreement on this clinical trial with the FDA under the SPA process prior to initiating this registration trial.

OncoGenex has received Fast Track designation from the FDA for development of OGX-011 in combination with docetaxel for progressive metastatic prostate cancer.

Summary of Preliminary Results of OGX-011 Phase 2 Clinical Trials

Five phase 2 clinical trials have been conducted to evaluate the ability of OGX-011 to enhance the effects of therapy in prostate, non-small cell lung and breast cancer. The following is a summary of the clinical trials evaluating OGX-011.

Summary of Preliminary Results of OGX-011 Phase 2 Clinical Trial in First-Line Castrate Resistant Prostate Cancer

Accrual and patient treatment are complete in a randomized phase 2 clinical trial in patients with CRPC evaluating docetaxel in combination with OGX-011 as first-line chemotherapy. In this phase 2 trial, patients were randomized to receive either docetaxel or OGX-011 plus docetaxel. Eighty-one patients are included for analysis: 41 received docetaxel and 40 received docetaxel plus OGX-011.

In December 2008, we reported a median survival of 27.5 months for the patients in the OGX-011 arm and 16.9 months for those in the control arm. Results currently indicate that patients in the OGX-011 arm have a death rate approximately 40% lower than patients in the control arm. The current results are based on trial data with 40% of patients remaining alive and a median follow-up of approximately 30 months for both arms. Additional survival updates are needed before a mature median survival for the OGX-011 arm can be reported. Based on the current results, OncoGenex has calculated that the final median survival for patients in the OGX-011 arm cannot be lower than 22.7 months representing at least a 5.8 month median survival benefit. For comparison, docetaxel was approved for treatment of metastatic CRPC by the FDA based on a survival advantage of 2.4 months over mitoxantrone. ASCO has selected an abstract on this clinical trial for oral presentation, and we expect that data from this clinical trial will be presented at their 2009 Annual Meeting in the second quarter of our 2009 fiscal year. Other previously reported results in favor of OGX-011 are summarized as follows:

- longer time on treatment and a greater median number of treatment cycles administered in the docetaxel plus OGX-011 arm (median of 8 cycles) compared to the docetaxel only arm (median of 6 cycles);
- Fewer patients treated with docetaxel plus OGX-011 discontinued study treatment for death or reasons associated with disease progression compared to the docetaxel alone arm (8 versus 17 patients, respectively);
- Most common adverse events related to OGX-011 were mild and included increased frequencies of neuropathy, rigors/chills, fever, diarrhea and rash. The only increase in moderate adverse events was an increase in lymphopenia. Lymphopenia is a decrease in lymphocytes, a type of white blood cell involved in the body's defence against infections. To date this has been a laboratory finding with no clinical evidence of a problem with infections. Thus, overall OGX-011 has a well tolerated safety profile, especially considering the longer time on treatment;
- higher frequency of patients with measurable disease control (defined as objective responses plus stable measurable disease) at 92% in the docetaxel plus OGX-011 arm compared to 74% in the docetaxel only arm;
- lower frequency of progressive disease as evidenced by PSA or measurable disease at 0% and 4% in the docetaxel plus OGX-011 arm compared to 10% and 22% in the docetaxel only arm, respectively; and
- significant reduction in mean serum clusterin levels in the OGX-011 arm versus an increase in mean serum clusterin levels in the control arm.

ASCO has selected an abstract on this clinical trial for oral presentation, and we expect that updated data from this clinical trial will be presented at their 2009 Annual Meeting in the second quarter of our 2009 fiscal year.

Summary of Preliminary Results of OGX-011 Phase 2 Clinical Trial in Second-Line Castrate Resistant Prostate Cancer

OncoGenex has completed accrual and patient treatment in its randomized phase 2 clinical trial in patients with CRPC evaluating OGX-011 in combination with either docetaxel or mitoxantrone as second-line chemotherapy. In this phase 2 trial, patients who were previously treated with a first-line, docetaxel-based chemotherapy regimen and progressed on or within 6 months of discontinuation of docetaxel treatment were randomized to receive OGX-011 plus either docetaxel retreatment or mitoxantrone. Initially, forty-two patients were randomized and received at least one cycle of OGX-011 and chemotherapy and were included for analysis: 20 patients received docetaxel retreatment plus OGX-011 and 22 patients received mitoxantrone plus OGX-011. The protocol was amended to allow additional patients to be enrolled in the docetaxel retreatment arm. Enrollment into the amended protocol was initiated in May, 2007 and 25 additional patients were enrolled as of September, 2007. All patients received at least one cycle of OGX-011 and docetaxel retreatment and were included in the analysis. As of January 14, 2009, 27% of the 67 patients remain alive.

The preliminary results for the clinical trial are summarized as follows:

- survival duration is longer than the survival duration observed in the follow-up evaluation of patients on the TAX 327 Study who later received second-line chemotherapy and were available for long-term follow up. In the follow-up evaluation of TAX 327, 237 patients received either docetaxel or mitoxantrone as second-line chemotherapy. The median (50%) survival duration from the start of second-line chemotherapy was 10 months for both groups of patients (patients receiving mitoxantrone as second-line chemotherapy after receiving docetaxel as first-line chemotherapy or patients receiving docetaxel as second-line chemotherapy after receiving mitoxantrone as first-line chemotherapy). As of January 14, 2009, the estimated median survival duration for the OGX-011 plus mitoxantrone arm was 11.4 months based on a median follow-up of 26 months. For the OGX-011 plus docetaxel retreatment arm, the median survival is mature and is estimated at 15.8 months for the 20 randomized patients, based on a median follow-up of 26 months, and 13.0 months for the combined 45 patients (20 randomized patients plus 25 patients on the amended protocol), based on a median follow-up of 18 months. The median survival is mature for the 20 randomized patients whereas additional survival updates are needed before a mature median survival for combined 45 patients can be reported;

- longer time on chemotherapy than expected for second-line treatment with generally 1 to 2 more chemotherapy cycles administered compared to other published studies;

- examples of reversing chemoresistance by adding OGX-011 during docetaxel retreatment as second-line chemotherapy based on prostate specific antigen levels;

- the survival data from OncoGenex' clinical trial also compares favorably to the median survival duration of 9.6 months for patients who received second-line docetaxel after first-line docetaxel in a retrospective BCCA Study. The patients in the BCCA Study had a better prognosis than the patients in OncoGenex' clinical trial;

- preliminary analyses have shown that treatment with OGX-011 in combination with chemotherapy significantly lowers serum clusterin levels and that average serum clusterin levels were predictive of survival with low serum clusterin levels correlating to longer survival. Patients with low average serum clusterin levels during treatment had a median survival of approximately 15.2 months compared to approximately 8.5 months for patients with high average serum clusterin levels during treatment; and

- durable pain responses defined as a duration of 12 weeks or greater were observed in 44% of evaluable patients in the docetaxel retreatment plus OGX-011 arm and in 38% of patients in the mitoxantrone arm. These durable pain responses have occurred in a higher than expected frequency since patients receiving second-line chemotherapy have more advanced disease and may have more profound, or resistant, prostate cancer-related pain. These data compare favorably to data from the TAX 327 Study that reported pain response outcomes for patients receiving first-line chemotherapy. In the TAX 327 Study when patients were treated with first-line docetaxel, not all of the 35% of patients reported as having a pain response had a pain response duration of three months since the median duration was 3.5 months with a lower limit of 2.4 months. Thus, this rate of durable pain response is lower than the 44% of patients treated with second-line docetaxel plus OGX-011. Similarly, in the TAX 327 Study when patients were treated with first-line mitoxantrone, 22% of patients had a durable pain response of three months or longer compared to the 38% of patients treated with second-line mitoxantrone plus OGX-011.

Summary of Preliminary Results of OGX-011 Phase 2 Clinical Trial in Non-Small Cell Lung Cancer

OncoGenex completed accrual and patient treatment in its clinical trial in patients with advanced NSCLC, evaluating OGX-011 in combination with gemcitabine and a platinum chemotherapy (cisplatin or carboplatin) as first-line chemotherapy. In this phase 2 trial, 81 patients with advanced NSCLC received OGX-011 in combination with gemcitabine and a platinum chemotherapy as first-line chemotherapy. Eighty two percent of the patients had stage IV disease at enrollment. Patients are being followed for survival with 20% of patients remaining alive at a median follow up of 33 months. The preliminary results are summarized as follows:

- the median overall survival was 14.1 months and 54% of patients survived at least 1 year;

- in January 2009, we reported that at two years, 30% of patients who had received OGX-011 with first-line chemotherapy were alive;

- for comparison, published studies using a platinum-based regimen plus gemcitabine as first-line chemotherapy for advanced NSCLC reported median survivals of 8 to 10.8 months and one-year survival rates of 33% to 43%. Market approval for Avastin plus paclitaxel and carboplatin chemotherapy for NSCLC was based on results showing a median survival of 12.3 months compared to 10.3 months for patients treated with chemotherapy alone. Survival rates for Avastin plus chemotherapy versus chemotherapy alone were reported as 51% versus 44% at one year and 23% versus 15% at two years, respectively;

- 73% of patients achieved disease control; and

- preliminary analyses have shown that treatment with OGX-011 in combination with gemcitabine and a platinum chemotherapy significantly lowers serum clusterin levels and that average serum clusterin levels were predictive of survival with low serum clusterin levels correlating to longer survival.

Summary of Preliminary Results of OGX-011 Phase 2 Clinical Trial in Advanced Breast Cancer

In January 2009, the results of this clinical trial in patients with advanced breast cancer evaluating OGX-011 in combination with docetaxel as first-line or second-line chemotherapy were published in the scientific journal, Clinical Cancer Research. The authors' conclusion was as follows:

- the combination of OGX-011 and docetaxel at 75 mg/m2 is well tolerated and clinical activity was seen in these patients with metastatic breast cancer.

Summary of Preliminary Results of OGX-011 Phase 2 Clinical Trial in Patients with Castrate Resistant Prostate Cancer Receiving Hormone Ablation Therapy

This study was an Investigator-Sponsored study that evaluated weekly OGX-011 with androgen withdrawal therapy for 3 months duration in patients with high-risk, localized prostate carcinoma prior to radical prostatectomy. The results of the study indicated that OGX-011 was detectable in prostate tissue throughout the 14 days after the last administration; that clusterin expression was decreased in cells from lymph nodes as well as from prostate specimens; and that more of the cells in these patients were undergoing apoptosis (cell death) when compared with patients who never received androgen withdrawal therapy or who received only androgen withdrawal therapy.

Second Generation Antisense Technology

OGX-011, OGX-427 and OGX-225 are based on second-generation antisense drug chemistry and belong to the drug class known as antisense therapeutics. On a product by product basis, OncoGenex has collaborated with Isis Pharmaceuticals Inc. ("Isis") and selectively licensed technology from Isis to combine Isis' second generation antisense chemistry with the Company's proprietary gene target sequences to create inhibitors which are designed to down regulate certain proteins associated with cancer resistance. In contrast to first-generation antisense chemistry, second-generation antisense chemistry has improved target binding affinity, increased resistance to degradation and improved tissue distribution. These improvements result in slower clearance of the therapies from the body, allowing for less frequent dosing and thereby making treatment easier on patients at a lower associated cost. For example, clinical data from OncoGenex' phase 1 clinical trial in prostate cancer patients demonstrated that weekly intravenous administration of OGX-011 resulted in drug distribution to prostate cancer tissue and over 92% inhibition of its target, clusterin mRNA, in prostate tumor cells in these patients. This data demonstrates that following systemic administration, OGX-011 entered tumor cells and inhibited clusterin production.

License and Collaboration Agreements

Isis Pharmaceuticals, Inc.

OGX-011

In November 2001, OncoGenex Technologies entered into an agreement with Isis to jointly develop and commercialize OGX-011 ("Original Isis Agreement"). This strategic relationship provided OncoGenex Technologies with access to Isis' proprietary position in second-generation antisense chemistry for use in OGX-011, Isis' expertise in developing antisense therapeutics, including their manufacturing expertise, and allowed OncoGenex Technologies to develop OGX-011 cost efficiently. Under the Original Isis Agreement, OncoGenex Technologies shared with Isis, on a basis of 65% OncoGenex Technologies and 35% Isis, the costs and revenues resulting from the development and commercialization of OGX-011. On July 2, 2008, OncoGenex Technologies and Isis amended the Original Isis Agreement ("Amended Isis Agreement") pursuant to which OncoGenex Technologies is now solely responsible for the costs and development of OGX-011, and, in turn, has royalty and milestone obligations to Isis. Specifically, OncoGenex Technologies is required to pay to Isis royalties for OGX-011 ranging from 5.5% to 7% of net sales with respect to Isis and third parties. In addition, OncoGenex Technologies will pay to Isis 30% of the upfront fees and milestone payments that OncoGenex Technologies receives if it licenses OGX-011 prior to initiation of registration trials, 25% if we license OGX-011 before 20% of patients have been enrolled in a registration trial, 20% if we license OGX-011 prior to marketing approval from a regulatory authority and 15% thereafter. Neither of the parties can pursue the development or commercialization of any antisense compound for clusterin outside of the Amended Isis Agreement. This arrangement will continue until OGX-011 is no longer being developed or commercialized or until the agreement is terminated early due to an uncured material breach.

Under the Amended Isis Agreement, OncoGenex Technologies continues to have obligations to pay certain third parties royalties on net sales of OGX-011. The amount of the royalties is dependent on whether OncoGenex Technologies or Isis owe royalty payments to third parties pursuant to their respective license agreements with the third parties. In the event that the patents held by these third parties expire, OncoGenex Technologies' royalty obligations to them and the 5.5% to 7% royalty rate payable to Isis and third parties described above will be reduced accordingly. OncoGenex Technologies does not anticipate making any royalty payments under the terms of the Amended Isis Agreement in 2009.

OncoGenex Technologies has agreed to indemnify Isis and persons affiliated with Isis against liabilities resulting from the development, manufacture, use, handling, storage, sale or other commercialization or disposition of OGX-011, caused by OncoGenex Technologies's or its licensees' or sublicensees' gross negligence or willful misconduct, or caused by OncoGenex Technologies' material breach of the agreement.

OGX-427

In January 2005, OncoGenex Technologies entered into a collaboration and license agreement with Isis to jointly identify antisense compounds designed to inhibit the production of proteins encoded by specified gene targets. OncoGenex Technologies is solely responsible for all product development activities for antisense compounds under this collaboration. This relationship provides OncoGenex Technologies with access to Isis' proprietary position in second generation antisense chemistry for use in specified products. OncoGenex Technologies was permitted to designate up to two collaboration gene targets for collaborative research, development and commercialization. In April, 2005, Hsp27 was confirmed as a collaboration gene target. OncoGenex and Isis jointly designed and screened antisense compounds for this gene target. OncoGenex Technologies' right to designate a second collaboration gene target expired on January 5, 2007.

Under the terms of the agreement, in the event that OncoGenex Technologies abandons OGX-427, Isis may elect to unilaterally continue development of OGX-427, in which case it must provide Isis with a worldwide license or sublicense (as the case may be) of its relevant technology solely to develop and commercialize OGX-427 in exchange for a royalty on Isis' sales of OGX-427.

In consideration for the grant of rights related to OGX-427, on May 5, 2005 OncoGenex Technologies issued Isis a promissory note which was converted into shares of OncoGenex Technologies that were exchanged in the Arrangement for 53,200 OncoGenex Pharmaceuticals common shares. Under the terms of the agreement, OncoGenex Technologies may be obligated to make certain milestone payments to Isis contingent upon the occurrence of certain clinical development and regulatory events related to OGX-427. It is also obligated to pay to Isis certain milestone payments as well as certain royalties on net sales for OGX-427, with the amount of royalties depending on whether third party royalty payments are owed.

OncoGenex Technologies has agreed to indemnify Isis and certain persons affiliated with Isis against liabilities caused by its and its licensees' and sublicensees' gross negligence or willful misconduct, its material breach of the collaboration and license agreement, and the manufacture, use, handling, storage, sale or other disposition of OGX-427 that is sold by OncoGenex Technologies or its affiliates, agents or sublicensees.

The term of the agreement will continue until the later of 10 years after the date of the first commercial sale of OGX-427, or the expiration of the last to expire of any patents required to be licensed in order to use or sell OGX-427, unless OncoGenex Technologies abandons OGX-427 and Isis does not elect to unilaterally continue development of OGX-427.

OGX-225

In August 2003, OncoGenex Technologies entered into a collaboration and license agreement with Isis to jointly identify antisense compounds related to OGX-225 targeted to inhibit the production of IGFBP-2 and IGFBP-5. OncoGenex Technologies is solely responsible for all product development activities for OGX-225. This relationship provides OncoGenex Technologies with access to Isis' proprietary position in second-generation antisense chemistry for use in OGX-225. OncoGenex Technologies will owe Isis payments upon completion of product development milestones and royalties on product sales.

Under the agreement, neither OncoGenex Technologies nor Isis can pursue the development or commercialization of any antisense compound that inhibits the production of either IGFBP-5 or IGFBP-2 outside of the collaboration. Under the terms of the agreement, in the event that OncoGenex Technologies abandons all products developed under this agreement, including OGX-225, Isis may elect to unilaterally continue development of any or all of such abandoned product(s), in which case OncoGenex Technologies must provide Isis with a worldwide license or sublicense (as the case may be) of its relevant technology solely to develop and commercialize the abandoned product(s) in exchange for a royalty on Isis' sales of such abandoned product(s).

In connection with entering into this agreement, OncoGenex Technologies issued shares to Isis that were exchanged in the Arrangement for 59,283 common shares of OncoGenex Pharmaceuticals. Under the terms of the agreement, OncoGenex Technologies may be obligated to make certain milestone payments to Isis contingent upon the occurrence of certain clinical development and regulatory events related to OGX-225. OncoGenex Technologies is also obligated to pay to Isis certain royalty payments on net sales of OGX-225, with the amount depending on whether Isis owes royalty payments to third parties pursuant to license agreements between Isis and those third parties. We do not anticipate making any milestone or royalty payments to Isis under the terms of the agreement in 2009.

Isis has the first right to manufacture OGX-225. If Isis is unable or unwilling to manufacture OGX-225 or the parties cannot reach mutually acceptable terms, OncoGenex Technologies may have OGX-225 manufactured by a manufacturer licensed under Isis' proprietary manufacturing and analytical technology or have OGX-225 manufactured using a process not covered by Isis' proprietary manufacturing and analytical technology.

OncoGenex Technologies has agreed to indemnify Isis and certain individuals affiliated with Isis in respect of liabilities caused by its and their licensees' and sublicensees' gross negligence or willful misconduct, its material breach of the collaboration and license agreement, or the manufacture, use, handling, storage, sale or other disposition of OGX-225 that is sold by OncoGenex Technologies or its affiliates, agents or sublicensees.

The term of this agreement will continue for so long as any product is being developed or commercialized, unless the agreement is earlier terminated by OncoGenex Technologies abandoning all product(s) developed under this agreement, including OGX-225, and Isis does not elect to unilaterally continue development of any such product(s), or unless the agreement is earlier terminated by one party due to the other's insolvency.

University of British Columbia

OGX-011

Under an agreement made in November 2001, as amended, the University of British Columbia ("UBC") granted to OncoGenex Technologies an exclusive, worldwide license to commercialize its existing intellectual property and any improvements related to clusterin. This technology combined with Isis' second-generation antisense chemistry is OncoGenex' product candidate, OGX-011. In connection with entering into this license agreement, the Company issued to UBC shares of OncoGenex Technologies that were exchanged in the Arrangement for 15,243 common shares of OncoGenex Pharmaceuticals. OncoGenex Technologies agreed to pay to UBC certain royalties on milestones and the revenue from sales of OGX-011. OncoGenex Technologies is obligated to pay to UBC CAD$2,000 in annual maintenance fees. The occurrence and receipt of upfront and milestone payments and the generation of royalty revenue are uncertain.

OncoGenex Technologies agreed to use its commercially reasonable efforts to develop and exploit the licensed technology and any improvements. OncoGenex Technologies also agreed to promote, market and sell any resulting products and to cause the market demand for such products to be satisfied. OncoGenex Technologies is permitted to sublicense the technology, subject to certain consent and other requirements. OncoGenex Technologies directs patent prosecution and is responsible for all fees and costs related to the preparation, filing, prosecution and maintenance of the patent rights underlying the agreement. OncoGenex Technologies indemnifies UBC and certain of UBC's affiliates against liability arising out of the exercise of any rights granted pursuant to the agreement. The term of this agreement will expire on the later of 20 years from its effective date or the expiry of the last patent licensed under the agreement. Subject to patent term extensions, the current granted patent for OGX-011 expires in the United States in 2021 and would expire in all other jurisdictions by 2020. OncoGenex Technologies has additional patent applications pending which, if issued and not invalidated, may extend the expiration date of the last-to-expire patents. OncoGenex Technologies may also file additional patent applications related to clusterin that could potentially extend the expiration date of the last to expire patent in this area.

OGX-427

Under an agreement made in April 2005, as amended, UBC granted to OncoGenex Technologies an exclusive, worldwide license to commercialize its existing intellectual property and any improvements related to Hsp27. This technology combined with Isis' second-generation antisense chemistry is OncoGenex' product candidate, OGX-427. In connection with entering into this license agreement, OncoGenex Technologies issued to UBC shares that were exchanged in the Arrangement for 6,533 common shares of OncoGenex Pharmaceuticals. OncoGenex Technologies also agreed to pay to UBC certain royalties on the revenue from sales of OGX-427, which royalty rate may be reduced in the event that OncoGenex Technologies must pay additional royalties under patent licenses entered into with third parties in order to manufacture, use or sell OGX-427. OncoGenex Technologies may be obligated to make milestone payments to UBC contingent upon the occurrence of certain clinical development and regulatory events related to OGX-427. OncoGenex Technologies is obligated to pay to UBC CAD$2,000 in annual maintenance fees. The occurrence and receipt of upfront and milestone payments and the generation of royalty revenue are uncertain.

Subject to certain exceptions, OncoGenex Technologies agreed to use its commercially reasonable efforts to (i) develop and exploit the licensed technology and any improvements, and (ii) promote, market and sell any resulting products. OncoGenex Technologies is permitted to sublicense the technology, subject to certain consent and other requirements. OncoGenex Technologies directs patent prosecution and is responsible for all fees and costs related to the preparation, filing, prosecution and maintenance of the patent rights underlying the agreement. OncoGenex Technologies indemnifies UBC and certain of UBC's affiliates against liability arising out of the exercise of any rights granted pursuant to the agreement. The term of this agreement will expire on the later of 20 years from its effective date or the expiry of the last patent licensed under the agreement. Depending on the outcome of the pending patent applications in the licensed patent family, and subject to any applicable patent term extensions, a patent issuing from this family would expire in all jurisdictions by 2023. OncoGenex Technologies may also file additional patent applications related to Hsp27 that could potentially extend the expiration date of the last to expire patent in this area.

OGX-225

Under a series of agreements made between November 2001 and October 2005, as amended, UBC granted to OncoGenex Technologies exclusive, worldwide licenses to commercialize its existing intellectual property and any improvements related to IGFBP-2 and IGFBP-5. This technology combined with Isis' second-generation antisense chemistry is OncoGenex' product candidate, OGX-225. In connection with entering into these license agreements, the Company issued to UBC shares of OncoGenex Technologies that were exchanged in the Arrangement for 13,501 common shares of OncoGenex Pharmaceuticals. OncoGenex Technologies agreed to pay to UBC certain royalties on the revenue from sales of OGX-225, which royalty rate may be reduced in the event that OncoGenex Technologies must pay additional royalties under patent licenses entered into with third parties in order to manufacture, use or sell OGX-225. OncoGenex Technologies may be obligated to make milestone payments to UBC contingent upon the occurrence of certain clinical development and regulatory events related to OGX-225. OncoGenex Technologies is obligated to pay to UBC CAD$4,000 in annual maintenance fees. The occurrence and receipt of upfront and milestone payments and the generation of royalty revenue are uncertain.

Subject to certain exceptions, OncoGenex Technologies agreed to use commercially reasonable efforts to (i) develop and exploit the licensed technology and any improvements, and (ii) promote, market and sell any resulting products and cause the market demand for such products to be satisfied. OncoGenex Technologies is permitted to sublicense the technology, subject to certain consent and other requirements. OncoGenex Technologies directs patent prosecution and is responsible for all fees and costs related to the preparation, filing, prosecution and maintenance of the patent rights underlying the agreement. OncoGenex Technologies indemnifies UBC and certain of UBC's affiliates against liability arising out of the exercise of any rights granted pursuant to the agreement. The term of this agreement will expire on the later of 20 years from its effective date or the expiry of the last patent licensed under the agreement. The patent estate for OGX-225 comprises three patent families: inhibitors of IGFBP-2 production, IGFBP-5 production and single product candidates that simultaneously inhibit both IGFBP-2 and IGFBP-5 production. OGX-225 is a single product that is designed to inhibit the production of both IGFBP-2 and IGFBP-5. Patent protection for OGX-225 may rely on one or more of these patent families. Depending on the outcome of the pending patent applications within these families, and subject to any applicable patent term extensions, the patents issuing from these families would expire in all jurisdictions between 2020 and 2024. OncoGenex Technologies may also file additional patent applications related to IGFBP-2 and/or IGFBP-5 that could potentially extend the expiration date of the last to expire patent in this area.

CSP-9222

On August 7, 2008, Sonus completed an exclusive in-licensing agreement with Bayer HealthCare LLC ("Bayer") for development of a family of compounds known as caspase activators presently in preclinical research. Under terms of the agreement, Sonus was granted exclusive rights to develop two core compounds for all prophylactic and therapeutic uses in humans. Additionally, Sonus was granted rights to all other non-core compounds covered under the patents for use in oncology.

Under the terms of the agreement, Bayer received an upfront license fee of $450,000. OncoGenex will make annual payments ("Anniversary Payments") to Bayer on June 27th of each year, with an initial payment of $100,000 in 2009. The payments will increase by $25,000 each year until the initiation of the first phase 3 clinical trial relating to CSP-9222, at which point the Anniversary Payments reset to $100,000 and increase by $25,000 until the Company achieves either the first NDA filing in the United States or the European Union relating to CSP-9222. OncoGenex is obligated to pay royalties ranging from 3.5% to 7.5% of net future product sales and aggregate payments of up to $14,000,000 for clinical development and regulatory milestones. No milestone payments are triggered prior to the initiation of a phase 3 clinical trial. OncoGenex has the option to terminate this contract upon 60 days written notice to Bayer.

Summary of Royalty, Upfront and Milestone Obligations by Product

The tables below set forth, by product candidate, the estimated royalty payments and upfront and milestone payments to which OncoGenex is subject under the license and collaboration agreements described above. The occurrence and receipt of upfront and milestones payments and the generation of royalty revenue are uncertain.

Royalty Obligations to Third Parties	Total Payable
OGX-011(1)	4.0 – 8.0%
OGX-427(1)	3.25 – 5.75%
OGX-225(1)	2.88 – 5.25%
CSP-9222(2)	3.5 – 7.5%

(1) Minimum royalty rates assume certain third party royalties are not payable at the time that the product candidate is marketed due to the expiration of patents held by such third parties. Maximum royalty rates assume all third party royalty rates currently in effect continue in effect at the time that the product candidate is marketed and are net of anti-stacking provisions specified in OncoGenex' agreements.

(2) Royalty rates are tiered based on level of annual sales.

Upfront and Milestone Obligations to Third Parties	Total Payable
OGX-011	
OGX-011 licensed prior to initiation of a registration trial	31%
OGX-011 licensed prior to 20% of patients enrolled in a registration trial	26%
OGX-011 licensed prior to marketing approval	21%
OGX-011 licensed thereafter	16%
OGX-427(1)(2)	
Start Phase 2 Clinical Trial	$ 832,000
Start Phase 3 Clinical Trial	$ 1,454,000
1st Major Market Approval	$ 1,908,000
2nd Major Market Approval	$ 1,500,000
OGX-225(2)	
Start Phase 2 Clinical Trial	$ 582,000
Start Phase 3 Clinical Trial	$ 1,204,000
1st Major Market Approval	$ 1,408,000
2nd Major Market Approval	$ 1,000,000
CSP-9222	
Start Phase 3 Clinical Trial	$ 3,000,000
1st NDA filing in the United States	$ 2,000,000
1st NDA filing in the European Union	$ 1,000,000
1st Market Approval in United States	$ 5,000,000
1st Market Approval in European Union	$ 3,000,000

(1) Additional milestone payments may be required in respect of OGX-427 for product approvals outside the field of oncology.

(2) Certain milestone payments are payable in Canadian dollars, which are translated based on the December 31, 2008 exchange rate of US$1.00 = CAD$1.224, and rounded to the nearest $1,000.

Government Regulations—Drug Approval Process

Regulation by governmental authorities in the U.S. and other countries is a significant factor in our ongoing research and development activities and in the production and marketing of our products. In order to undertake clinical trials, to produce and market products for human use, mandatory procedures and safety standards, established by the FDA in the U.S. and by comparable agencies in other countries, must be followed.

The standard process before a pharmaceutical agent may be marketed includes the following steps:

- preclinical studies including laboratory evaluation and animal studies to test for initial safety and efficacy;
- submission to national health authorities of an Investigational New Drug ("IND") IND, or Clinical Trials Application ("CTA") or equivalent dossier, which must be accepted by each national health authority before human clinical trials may commence in that country;
- adequate and well-controlled clinical trials to establish the safety and efficacy of the drug in its intended population and use(s);
- submission to appropriate national and/or regional regulatory health authorities of a NDA, or equivalent marketing authorization application, which application is not automatically accepted for review; and
- approval by appropriate regulatory health authorities of the marketing authorization application prior to any commercial sale or shipment of the drug in each country or jurisdiction.

As part of the regulatory health authority approval for each product, the drug-manufacturing establishment is subject to inspection by the FDA and must comply with current Good Manufacturing Practices ("cGMP") requirements applicable to the production of pharmaceutical drug products. The facilities, procedures, and operations of manufacturers must be determined to be adequate by the FDA before product approval.

Preclinical studies include laboratory evaluation of the active drug substance and its formulation in animal studies to assess the potential safety and efficacy of the drug and its formulation. Prior to initiating the first clinical testing of a new drug product candidate, the results of the preclinical studies are submitted to regulatory health authorities as part of an IND or CTA, and must be accepted before the proposed clinical trial(s) can begin.

Clinical trials for cancer therapeutics involve the administration of the investigational drug product to patients with a defined disease state, under the supervision of a qualified principal investigator.

Clinical trials are conducted in accordance with protocols that detail the parameters to be used to monitor safety and efficacy. Each protocol is submitted to regulatory health authorities as part of the IND/CTA, in each country where clinical trials are to be conducted. Each clinical trial is approved and monitored by independent Institutional Review Boards or Ethics Committees who consider ethical factors, informed consent documents, the safety of human subjects and the possible liability of the institutions conducting a clinical trial. The Institutional Review Board or Ethics Committee may require changes in the clinical trials protocol, which may delay initiation or completion of the trial.

Clinical trials typically are conducted in three sequential phases, although the phases may overlap. In phase 1, the initial introduction of the drug to humans, the drug is tested for safety and clinical pharmacology. Phase 2 trials involve more detailed evaluation of the safety and efficacy of the drug in patients with a defined disease. Phase 3 trials consist of large scale evaluations of safety and efficacy of the investigational product compared to accepted standard therapy in a defined disease.

The process of completing clinical testing and obtaining regulatory health authority approval for a new product takes a number of years and requires the expenditure of substantial resources. Regulatory health authorities may conclude that the data submitted in a marketing authorization application are not adequate to support an approval and may require further clinical and preclinical testing, re-submission of the application, and further review. Even after initial approval has been obtained, further studies may be required to provide additional data about the approved indication, and further studies will be required to gain approval for the use of a product for clinical indications other than those for which the product was approved initially. Also, health authorities require post-marketing surveillance programs to monitor the drug product's side effects.

Marketing of pharmaceutical products outside of the U.S. is subject to regulatory requirements that vary from country to country. In the European Union, the general trend has been towards coordination of common standards for clinical testing of new drug products. Centralized approval in the European Union is coordinated through the European Medicines Agency ("EMEA").

The level of regulation outside the U.S. and European Union varies widely. The time required to obtain regulatory approval from regulatory agencies in each country may be longer or shorter than that required for FDA or EMEA approval. In addition, in certain markets, reimbursement is subject to governmentally mandated prices.

Many of the chemicals and compounds used in our research and development efforts are classified as hazardous materials under applicable federal, state and local environmental laws and regulations. We are subject to regulations under state and federal law regarding occupational safety, laboratory practices, handling and disposing of chemicals, environmental protection and hazardous substance control.

Contract Research Agreements

Consistent with OncoGenex' strategy to outsource certain product development activities, it has established contract research agreements for pre-clinical, manufacturing and data management services. OncoGenex chooses which business or institution to use for these services based on their expertise, capacity and reputation and the cost of the service.

OncoGenex also provides quantities of its product candidates to academic research institutions to investigate the mechanism of action and evaluate novel combinations of its product candidates with other cancer therapies in various cancer indications. These collaborations expand OncoGenex' research activities for its product candidates with modest contribution from OncoGenex.

Research and Development Expenditures

For the years ended December 31, 2008, 2007 and 2006, our expenditures for research and development activities were $7.8 million, $4.1 million, and $8.0 million, respectively. Such research and development expenses primarily related to the advancement of our lead product candidate, OGX-011.

Manufacturing

OncoGenex does not own facilities for the manufacture of materials for clinical or commercial use. It relies and expects to continue to rely on contract manufacturers to manufacture its product candidates in accordance with current good manufacturing practice ("cGMP"), for use in clinical trials. OncoGenex will ultimately depend on contract manufacturers for the manufacture of its products, when and if it has any, for commercial sale, as well as for process development as required.

To date, all active pharmaceutical ingredient ("API"), for OGX-011 has been manufactured by Isis on a purchase order basis, under cGMP. Drug product manufactured from API has been performed by Formatech, Inc. and Pyramid Laboratories Inc. in several separate manufacturing campaigns, pursuant to purchase orders or short-term contracts with OncoGenex or its licensors. For OGX-427, all API has been manufactured for OncoGenex by Avecia Biotechnology Inc. and all drug product has been manufactured for OncoGenex by Laureate Pharma, Inc., in each case pursuant to a purchase order or short-term contract that has been fulfilled. Contract manufacturing for commercial product is being evaluated and may or may not be performed at the current manufacturers. Larger contract manufacturers that can meet higher commercial drug quantities may be required and contracted to manufacture OncoGenex' products for commercial sale, when and if it has any.

Intellectual Property

OncoGenex' success depends in part on its ability to obtain and maintain proprietary protection for its product candidates, technology and know-how; prevent others from infringing the proprietary rights for its product candidates; and operate without infringing on the proprietary rights of others.

As of December 31, 2008, OncoGenex Pharmaceuticals, Inc. or its subsidiary OncoGenex Technologies Inc., owned or had licenses to approximately 65 granted or issued U.S. and foreign patents, and approximately 142 pending U.S. and foreign patent applications worldwide.

For each of OGX-011, OGX-427 and OGX-225, OncoGenex' intellectual property results from its licenses with UBC and Isis. In addition, Isis has assigned a three-member patent family related to clusterin antisense to OncoGenex Technologies.

OncoGenex has been granted non-exclusive rights to all intellectual property owned, licensed or otherwise controlled by Isis at the date of its agreements with Isis that relate to second-generation antisense chemistry and that are required for its product candidates (such as OGX-011, OGX-427 and OGX-225). Isis is generally restricted from engaging in research, development and commercialization of antisense compounds related to clusterin, Hsp27, IGFBP-5 and IGFBP-2, other than as provided in the collaboration and license agreement related to each target. Isis directs patent prosecution and is responsible for all fees and costs related to the preparation, filing, prosecution and maintenance of these patent rights, which extend to numerous jurisdictions throughout the world. Individual patents have terms of protection depending on the laws of the countries in which the applications are made.

All TOCOSOL™ and SN2310 intellectual property is owned by OncoGenex Pharmaceuticals, Inc, and intellectual property relating to CSP-9222 is licensed from Bayer.

For intellectual property under license from UBC and Bayer, OncoGenex directs patent prosecution and is responsible for all fees and costs related to the preparation, filing, prosecution and maintenance of the patent rights underlying the agreement. For this intellectual property, OncoGenex files patent applications in the United States, Canada, Europe (through the European Patent Office), Japan, and other jurisdictions.

Composition of matter patents covering OGX-011, OGX-427, SN2310, CSP-9222 and TOCOSOL™ have issued in the U.S. and certain other jurisdictions. Additional patent applications covering all of these products, as well as other technologies, are pending in the U.S. and certain other countries.

Generally, patents issued in the U.S. are effective for 20 years from the earliest non-provisional filing date, if the application from which the patent issues was filed on or after June 8, 1995 (otherwise the term is the longer of 17 years from the issue date or 20 years from the earliest non-provisional filing date). The duration of patent terms for non-U.S. patents is typically 20 years from the earliest corresponding national or international filing date. OncoGenex' licensed UBC patent estate, based on those patents and applications existing now and expected by OncoGenex to issue, will expire in years ranging from 2020 to 2024, without the benefit of extensions. OncoGenex' TOCOSOL™ patent terms will expire starting from 2018, and the SN2310 and CSP-9222 patent terms from 2023. Patent term extensions, specifically to make up for regulatory delays, are available in the U.S., Europe, and Japan. Although OncoGenex believes that some or all of its product candidates will meet the criteria for patent term extensions, there can be no assurance that it will obtain such extensions.

OncoGenex also relies on unpatented trade secrets, proprietary know-how and continuing technological innovation, which we seek to protect, in part, by confidentiality agreements with our corporate partners, collaborators, employees and consultants in our drug development research. There can be no assurance that these agreements will not be breached, that we will have adequate remedies for any breach, or that our trade secrets or know-how will not otherwise become known or be independently discovered by competitors. Further, there can be no assurance that we will be able to protect our trade secrets or that others will not independently develop substantially equivalent proprietary information and techniques.

OncoGenex is aware of an issued U.S. patent and corresponding foreign counterparts containing claims relating to antisense sequences that inhibit IGFBP-2. Certain of these claims may be broad enough in scope such that, if OncoGenex chooses to commercialize OGX-225 in the U.S. or in any foreign jurisdiction in which a corresponding patent has issued, it may infringe such claims. OncoGenex believes that there may be multiple grounds on which to challenge the validity of the U.S. patent and possibly the foreign counterparts, and it may determine to make such a challenge. Alternatively, it is possible that OncoGenex may determine it prudent to seek a license from the patent holder to avoid potential extended litigation and other potential disputes.

Competition

The development and commercialization of new drugs is highly competitive. OncoGenex' major competitors are large pharmaceutical, specialty pharmaceutical and biotechnology companies, in the United States, Canada and abroad. Many oncology drugs in clinical trials are being developed for the four primary cancer indications: lung, breast, colorectal, and prostate cancer. Certain of these drugs are, like OncoGenex' OGX-011, OGX-427, and OGX-225, designed to interfere with treatment resistance. If new drugs targeting treatment resistance are approved for sale for the indications that OncoGenex is targeting in advance of OncoGenex' product candidates, or even after their commercialization, it may reduce the market's interest in its product candidates. OncoGenex is aware of several other companies developing therapeutics, whether antisense or otherwise, that seek to promote tumor cell death by inhibiting proteins believed to promote cell survival. OncoGenex' competitors may seek to identify gene sequences, protein targets or antisense chemistry different from that of OncoGenex, and outside the scope of its intellectual property protection, to develop antisense therapeutics that serve the same function as its product candidates. OncoGenex' competitors may also seek to use mechanisms other than antisense to inhibit the proteins that its product candidates are designed to inhibit the production of.

Many of OncoGenex' existing and potential competitors have substantially greater financial resources and expertise in manufacturing, developing products, conducting clinical trials, obtaining regulatory approvals, and marketing than OncoGenex. These entities also compete with OncoGenex in recruiting and retaining qualified scientific and management personnel, as well as in acquiring products and technologies complementary to its programs. Standard treatments vary considerably by cancer indication, and new drugs may be more effective in treating one cancer indication than another. In addition, it must be recognized that cancer is a difficult disease to treat and it is likely that no one therapeutic will replace all other therapies in any particular indication. Therapeutic strategies for treating cancer are increasingly focused on combining a number of drugs in order to yield the best results. Since OGX-011 and OGX-427 are intended to be used in multiple cancer indications and target the tumors' adaptive survival mechanisms, these drugs will potentially be synergistic with many new and currently marketed therapies.

OncoGenex' ability to compete successfully will depend largely on its ability to:

- establish that its product candidates are well tolerated and result in a clinical benefit when administered to cancer patients;
- advance the development of its lead programs, including the enrollment of patients for its clinical trials;
- gain regulatory approval for its product candidates in their respective first indications as well as expand into additional indications;
- commercialize its lead product candidates successfully, including convincing physicians, insurers and other third-party payors of the advantages of its products, when and if it has any, over current therapies;
- obtain intellectual property protection and protect the exclusivity for its product candidates and products, when and if it has any; and
- acquire other product candidates to expand its pipeline.

Trademarks

OncoGenex owns two approved Canadian trademarks: OncoGenex™ and Bringing Hope to Life™. OncoGenex has registered corresponding trademark Bringing Hope to Life™ in the U. S., and applied for OncoGenex™ in that jurisdiction. OncoGenex is aware of a company called Tikvah Therapeutics of Atlanta, Georgia, which has filed Bringing Hope to Life™ for different goods and services on an intent-to-use basis. OncoGenex and Tikvah have agreed not to oppose or prevent the other from establishing their respective marks for their respective goods.

Registrations have been obtained for TOCOSOL® trademarks in the United States and in a number of foreign countries. Registrations and applications relating to the SONUS™ mark are being dropped.

There can be no assurance that the registered or unregistered trademarks or trade names of our Company will not infringe upon third party rights or will be acceptable to regulatory agencies.

Employees

OncoGenex has a total of 26 employees; 23 full-time and three part-time. In its Vancouver office, it has 12 full-time employees and one part-time employee, four of whom are engaged in clinical and regulatory affairs and nine of whom are engaged in administration, business development, accounting and finance. In its Bothell office, OncoGenex has 11 full-time employees and two part-time employees, with all 13 are engaged in clinical and regulatory affairs.

All of OncoGenex' employees have entered into non-disclosure agreements regarding its intellectual property, trade secrets and other confidential information. None of its employees are represented by a labor union or covered by a collective bargaining agreement, nor has OncoGenex experienced any work stoppages. OncoGenex believes that it maintains satisfactory relations with its employees.

From time to time, OncoGenex also uses outside consultants to provide advice on its clinical development plans, research programs and potential acquisitions of new technologies.

Company Information

The Company was incorporated in the state of California in October 1991 and subsequently reorganized as a Delaware corporation in September 2005. The Company's principal executive offices are located 1522 217th Place SE, Suite 1090, Bothell , Washington 98021, and its telephone number is (425)686-1500.

On August 21, 2008, pursuant to the Arrangement, OncoGenex Technologies Inc. became a wholly-owned subsidiary of the Company. OncoGenex Technologies was incorporated under the federal laws of Canada in May 2000. OncoGenex, Inc., the subsidiary of OncoGenex Technologies, was incorporated under the laws of Washing in August 2005. Following the Arrangement, all employees of OncoGenex, Inc. are now employed by the Company. The Company intends to wind up OncoGenex, Inc. in 2009.

Available Information

We maintain a website at http://www.oncogenex.com. The information contained on or accessible through our website is not part of this Annual Report on Form 10-K. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are available on our website as soon as reasonably practicable after we electronically file such reports with, or furnish those reports to, the Securities and Exchange Commission.

ITEM 1A. RISK FACTORS

Risks Related to Our Business

Investing in our common shares involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information contained in this Form 10-K, before deciding to invest in our common shares. If any of the following risks materialize, our business, financial condition, results of operation and future prospects will likely be materially and adversely affected. In that event, the market price of our common shares could decline and you could lose all or part of your investment.

If we fail to obtain additional capital through licensing of our product candidates or through financing, we may be unable to complete or continue the development and commercialization of OGX-011 and our other product candidates, or continue our research and development programs.

Our operations have consumed substantial amounts of cash since inception. We expect to continue to spend substantial amounts to:

- continue and complete the clinical development of OGX-011, including initiation of our planned Phase 3 registration trials, and development of our other product candidates;
- develop, license or acquire additional product candidates;
- launch and commercialize any product candidates for which we receive regulatory approval; and
- continue our research and development programs.

We will need additional funding to support these planned activities. We may obtain additional funding through executing a partnership or collaboration agreement with a third party that has sufficient resources to fund the development of our product candidates or the licensing or sale of certain of our product candidates, or through private or public offerings of our equity securities or debt financings.

Many factors will affect our ability to develop our product candidates as anticipated. We may be subject to unanticipated costs or delays that would accelerate our need for additional capital or increase the costs of individual clinical trials.

If we are unable to raise additional capital when required or on acceptable terms, we may have to significantly delay, scale back or discontinue the development and/or commercialization of one or more of our product candidates. We also may be required to: seek collaborators for our product candidates at an earlier stage than otherwise would be desirable and on terms that are less favorable than might otherwise be available; and relinquish or license on unfavorable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves. There can be no assurance that we will be able to obtain additional funding on terms favorable to us, or at all. In the event that such steps are not sufficient, or we believe that they will not be sufficient, we may be required to discontinue our operations.

The recent volatility in the financial markets could adversely affect us or our partners or suppliers.

As widely reported, financial markets in the United States and abroad have been experiencing extreme disruption in recent months, including, among other things, extreme volatility in securities prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. Among other risks we face, the current tightening of credit in financial markets may adversely affect our ability to obtain financing in the future, including our ability to fund our planned phase 3 clinical trials of OGX-011 in patients with castrate resistant prostate cancer and to fund our other product candidates. In addition, current economic conditions could harm the liquidity or financial position of our partners or suppliers, which could, in turn, cause such parties to fail to meet their contractual or other obligations to us.

We have a limited operating history, have incurred losses since inception and anticipate that we will continue to incur losses for the foreseeable future. We have never had any products available for commercial sale and we may never achieve or sustain profitability.

We are a clinical-stage biopharmaceutical company with a limited operating history. We are not profitable and have incurred losses in each year since our inception. We have never had any products available for commercial sale and we have not generated any revenue from product sales. We do not anticipate that we will generate revenue from the sale of products in the foreseeable future. We have not yet submitted any products for approval by regulatory authorities. We continue to incur research and development and general and administrative expenses related to our operations. We expect to continue to incur losses for the foreseeable future, and we expect these losses to increase as we continue our research activities and conduct development of, and seek regulatory approvals for, our product candidates, and prepare for and begin to commercialize any approved products. If our product candidates fail in clinical trials or do not gain regulatory approval, or if our product candidates do not achieve market acceptance, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods.

We are highly dependent on the success of our lead product candidate, OGX-011, and we cannot give any assurance that OGX-011 or any of our other product candidates will receive regulatory approval.

OGX-011 has been evaluated in five phase 2 clinical trials, and preliminary results for these trials were previously disclosed. The final results ultimately may vary from such preliminary results. If any or all of these clinical trials generate safety concerns or lack of efficacy, or competitive products developed by third parties show significant benefit in the cancer indications in which we are developing our product candidates, any planned supportive or primary registration trials may be delayed, altered or not initiated and OGX-011 may never receive regulatory approval. In order to market OGX-011, we must, among other things, conduct additional clinical trials, including phase 3 or registration clinical trials, to demonstrate safety and efficacy. We have not initiated any registration clinical trials with any of our product candidates. OGX-427 and SN2310 are currently being evaluated in humans, though we have very limited safety data and have not yet established efficacy in humans. We have completed enrollment in the phase 1 clinical trial of SN2310 and the dose limiting toxicity that defined a maximum tolerated dose in this heavily pretreated patient population, as expected, was significant neutropenia. Additional clinical trials will be required with SN2310 to establish the safety and efficacy. Neither OGX-225 nor CSP-9222 have yet been tested in humans. Our pre-clinical testing of these product candidates may not be successful and we may be unable to initiate clinical evaluation of them. Our clinical development programs for our product candidates may not receive regulatory approval either if such product candidates fail to demonstrate that they are safe and effective in clinical trials and consequently fail to obtain necessary approvals from the FDA, or similar non-U.S. regulatory agencies, or if we have inadequate financial or other resources to advance these product candidates through the clinical trial process. Any failure to obtain regulatory approval of OGX-011 or our other product candidates would have a material and adverse impact on our business.

Clinical trials may not demonstrate a clinical benefit of our product candidates.

Positive results from pre-clinical studies and early clinical trials should not be relied upon as evidence that later-stage or large-scale clinical trials will succeed. We will be required to demonstrate with substantial evidence through well-controlled clinical trials that our product candidates are safe and effective for use in a diverse population before we can seek regulatory approvals for their commercial sale. Success in early clinical trials does not mean that future clinical trials will be successful because product candidates in later- stage clinical trials may fail to demonstrate sufficient safety and efficacy to the satisfaction of the FDA and other non-U.S. regulatory authorities despite having progressed through initial clinical trials.

Even after the completion of phase 3 clinical trials, the FDA or other non-U.S. regulatory authorities may disagree with our clinical trial design and our interpretation of data, and may require us to conduct additional clinical trials to demonstrate the efficacy of our product candidates.

Our clinical trials may be suspended or terminated at any time, including by the FDA, other regulatory authorities, the Institutional Review Board ("IRB") overseeing the clinical trial at issue, any of our clinical trial sites with respect to that site, or by us. Any failure or significant delay in completing clinical trials for our product candidates could materially harm our financial results and the commercial prospects for our product candidates.

We do not know whether any of our future clinical trials for OGX-011, OGX-427, SN2310, or pre-clinical studies or clinical trials for our other product candidates, will proceed or be completed on schedule, or at all. The completion or commencement of our future clinical trials could be substantially delayed or prevented by several factors, including:

- delay or failure to obtain required future additional funding through private or public offerings of our equity securities, debt financings, or executing a licensing, partnership or collaboration agreement with a third party for any of our product candidates;
- limited number of, and competition for, suitable patients with the particular types of cancer required for enrollment in our clinical trials;
- limited number of, and competition for, suitable sites to conduct our clinical trials;
- introduction of new product candidates to the market in therapeutic areas similar to those which we are developing our product candidates.
- concurrent evaluation of new investigational product candidates in therapeutic areas similar to those which we are developing our product candidates.
- delay or failure to obtain the FDA's or non-U.S. regulatory agencies' approval or agreement to commence a clinical trial, including our phase 3 or registration clinical trials under a Special Protocol Assessment;
- delay or failure to obtain sufficient supplies of the product candidate for its clinical trials;
- delay or failure to reach agreement on acceptable clinical trial agreement terms or clinical trial protocols with prospective sites or investigators; and
- delay or failure to obtain the approval of the IRB to conduct a clinical trial at a prospective site.

The completion of our current clinical trials could also be substantially delayed or prevented by several factors, including:

- delay or failure to obtain required future additional funding through private or public offerings of our equity securities, debt financings, or executing a licensing, partnership or collaboration agreement with a third party for any of our product candidates;
- slower than expected rates of patient recruitment and enrollment;

- failure of patients to complete the clinical trial;
- unforeseen safety issues;
- lack of efficacy evidenced during clinical trials;
- termination of its clinical trials by one or more clinical trial sites;
- inability or unwillingness of patients or medical investigators to follow its clinical trial protocols;
- inability to monitor patients adequately during or after treatment; and
- introduction of competitive products that may impede its ability to retain patients in its clinical trials.

Our clinical trials may be suspended or terminated at any time by the FDA, other regulatory authorities, the IRB overseeing the clinical trial at issue, any of our clinical trial sites with respect to that site, or us. Any failure or significant delay in completing clinical trials for our product candidates could materially harm our financial results and the commercial prospects for our product candidates.

Our product candidates may cause undesirable and potentially serious side effects during clinical trials that could delay or prevent their regulatory approval or commercialization.

As of February 9, 2009, OGX-011 has been administered to 294 patients with various types of cancer. Some of the patients experienced various adverse events, the majority of which are associated with other treatments in the protocol and the disease. The majority of adverse events were mild and the most common adverse events associated with OGX-011 consisted of flu-like symptoms. The moderate and severe adverse events most commonly associated with OGX-011 (occurring in ³ 2% of patients) were neutropenia, vomiting, diarrhea, and difficulty breathing (“dyspnea”).

As of February 12, 2009, OGX-427 has been administered to 34 patients with various types of cancer in a phase 1 clinical trial. Enrollment in the OGX-427 monotherapy aspect of the phase 1 clinical trial is complete and dose-limiting toxicity was not reached at the highest doses evaluated. Enrollment in the OGX-427 in combination with docetaxel aspect of the clinical trial is ongoing. All patients experienced adverse events, the majority of which were unrelated to OGX-427. Of the adverse events associated with OGX-427, the majority of adverse events were mild and the most common adverse events consisted of flu-like symptoms, infusion-related reactions, pruritus and flushing. Serious adverse events have been reported for seventeen patients (50%). The serious adverse events were unrelated to OGX-427 administration for 14 patients and associated with OGX-427 administration for 3 patients. The events that were associated with OGX-427 administration were elevated creatinine in two patients, an indicator of kidney function, and rigors and chills in one patient.

SN2310 has been administered to 26 patients with various types of cancer in a phase 1 clinical trial. Enrollment for this clinical trial has been completed. Some of the patients experienced adverse events, which were considered unrelated to study drug and attributed to underlying disease. Of the adverse events associated with SN2310, most were mild and the most common events were nausea, diarrhea, vomiting and fatigue. Mild to moderate reactions (back/chest pain, flushing) have been observed during infusions. Significant neutropenia has occurred in some patients and was the dose-limiting toxicity observed, sometimes associated with fever or septicemia.

Since patients in our clinical trials have advanced stages of cancer, we expect that additional adverse events, including serious adverse events, will occur.

Undesirable side effects caused by any of our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in the denial of regulatory approval by the FDA or non-U.S. regulatory authorities for any or all targeted indications. This, in turn, could prevent us from commercializing our product candidates and generating revenues from their sale. In addition, if our product candidates receive marketing approval and we or others later identify undesirable side effects caused by the product:

- regulatory authorities may withdraw their approval of the product;
- we may be required to recall the product, change the way the product is administered, conduct additional clinical trials or change the labeling of the product;
- a product may become less competitive and product sales may decrease; or
- our reputation may suffer.

Any one or a combination of these events could prevent us from achieving or maintaining market acceptance of the affected product or could substantially increase the costs and expenses of commercializing the product, which in turn could delay or prevent us from generating significant revenues from the sale of the product.

Recent events have raised questions about the safety of marketed drugs and may result in increased cautiousness by the FDA in reviewing new drugs based on safety, efficacy or other regulatory considerations and may result in significant delays in obtaining regulatory approvals, additional clinical trials being required, or more stringent product labeling requirements. Any delay in obtaining, or inability to obtain, applicable regulatory approvals, would prevent us from commercializing its product candidates.

We may not be able to negotiate the exit or sublease of excess office and laboratory space currently leased in Bothell, Washington, on terms acceptable to us or at all.

Prior to the Arrangement, Sonus entered into a non-cancellable lease arrangement for office and laboratory space located in Bothell, Washington, which is considered to be in excess of the Company's current requirements. We are in the process of seeking the exit or sublease of this excess space. To date, we have not entered into any agreement for the exit or sublease of this space, or identified which transactions or transaction structures would most benefit shareholders. The goal of minimizing future lease expenditures will impact any decisions we make regarding specific deal structures or transactions into which we may enter. We can provide no assurances that we will be able to negotiate the exit or sublease of this space, on terms acceptable to us or at all or on terms which meet our or our shareholders' expectations.

If our competitors develop and market products that are more effective, safer or less expensive than our future product candidates, our clinical trials and commercial opportunities will be negatively impacted.

The life sciences industry is highly competitive, and we face significant competition from many pharmaceutical, biopharmaceutical and biotechnology companies that are researching and marketing products designed to address cancer indications for which we are currently developing products or for which we may develop products in the future. We are aware of several other companies which are developing therapeutics that seek to promote tumor cell death by inhibiting proteins believed to promote cell survival. Any products we may develop in the future are also likely to face competition from other drugs and therapies. Many of our competitors have significantly greater financial, manufacturing, marketing and drug development resources than we do. Large pharmaceutical companies, in particular, have extensive experience in clinical testing and in obtaining regulatory approvals for drugs. These companies also have significantly greater research and marketing capabilities than we do. In addition, many universities and private and public research institutes are, or may become, active in cancer research, the products of which may be in direct competition with ours. If our competitors market products that are more effective, safer or less expensive than our future product candidates, if any, or that reach the market sooner than our future product candidates, if any, we may not achieve commercial success.

If new therapies become broadly used, we may need to conduct clinical trials of our product candidates in combination with these new therapies to demonstrate safety and efficacy of the combination. Additional trials will delay the development of our product candidates and increase our costs. The failure of certain of our product candidates to work in combination with these new therapies would have an adverse effect on our business.

Our intention is to combine certain of our product candidates with therapies that are broadly used by clinicians and considered highly effective. As new therapies are developed, we will need to assess these therapies to determine whether to conduct clinical trials of our product candidates in combination with them to demonstrate safety and efficacy of the combination. If we determine that it is appropriate to conduct additional clinical trials of our product candidates in combination with these new therapies, the development of our product candidates will be delayed and our costs will be increased. If these clinical trials generate safety concerns or lack of efficacy, our business would be adversely affected.

If our product candidates become approved in combination with a specific therapy that is broadly used and that therapy becomes displaced by another product, the market for our product candidate may decrease.

If we were to be successfully sued related to our products or operations, we could face substantial liabilities that may exceed our resources.

We may be held liable if any of our products or operations cause injury or death or are found otherwise unsuitable during product testing, manufacturing, marketing or sale. These risks are inherent in the development of pharmaceutical products. We currently maintain Commercial General and Umbrella Liability policies with combined limits of $10 million per occurrence and in the aggregate and in addition, a $10 million per claim and annual aggregate product liability insurance policy related to our clinical trials consistent with industry standards. When necessary for our products, we intend to obtain additional product liability insurance. Insurance coverage may be prohibitively expensive, may not fully cover potential liabilities or may not be available in the future. Inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of our products. If we were to be sued for any injury caused by or associated with our products or operations, the litigation could consume substantial time and attention of our management, and the resulting liability could exceed our total assets.

If we fail to acquire and develop products or product candidates at all or on commercially reasonable terms, we may be unable to grow our business.

We currently do not have internal discovery capabilities and are dependent upon pharmaceutical and biotechnology companies and other researchers to sell or license products or product candidates to us. To date, three of our product candidates have been derived from technologies discovered by the Prostate Centre and licensed to us by UBC and one candidate has been in-licensed from Bayer. We intend to continue to rely on the Prostate Centre, UBC and other research institutions and other biotechnology or pharmaceutical companies as sources of product candidates. We cannot guarantee that the Prostate Centre or UBC will continue to develop new product candidate opportunities, that we will continue to have access to such opportunities or that we will be able to purchase or license these product candidates on commercially reasonable terms, or at all. If we are unable to purchase or license new product candidates from the Prostate Centre or UBC, we will be required to identify alternative sources of product candidates.

The success of our product pipeline strategy depends upon our ability to identify, select and acquire pharmaceutical product candidates. Proposing, negotiating and implementing an economically viable product acquisition or license is a lengthy and complex process. We compete for partnering arrangements and license agreements with pharmaceutical and biotechnology companies and academic research institutions. Our competitors may have stronger relationships with third parties with whom we are interested in collaborating and/or may have more established histories of developing and commercializing products. As a result, our competitors may have a competitive advantage in entering into partnering arrangements with such third parties. In addition, even if we find promising product candidates, and generate interest in a partnering or strategic arrangement to acquire such product candidates, we may not be able to acquire rights to additional product candidates or approved products on terms that we find acceptable, or at all. If we fail to acquire and develop product candidates from others, we may be unable to grow our business.

We expect that any product candidate that we acquire rights to will require additional development efforts prior to commercial sale, including extensive clinical evaluation and approval by the FDA and non-U.S. regulatory authorities. All product candidates are subject to the risks of failure inherent in pharmaceutical product development, including the possibility that the product candidate will not be shown to be sufficiently safe and effective for approval by regulatory authorities. Even if the product candidates are approved, we cannot be sure that we would be capable of economically feasible production or commercial success.

If we fail to attract and retain key management and scientific personnel, we may be unable to successfully develop or commercialize our product candidates.

We will need to expand and effectively manage our managerial, operational, financial, development and other resources in order to successfully pursue our research, development and commercialization efforts for our existing and future product candidates. Our success depends on our continued ability to attract, retain and motivate highly qualified management, pre-clinical and clinical personnel, including our executive officers, Scott Cormack, Cindy Jacobs and Stephen Anderson. The loss of the services of any of our senior management could delay or prevent the commercialization of our product candidates. Although we have entered into employment agreements with each of Mr. Cormack, Dr. Jacobs and Mr. Anderson for an indefinite term, such agreements permit the executive to terminate his or her employment with us at any time, subject to providing us with advance written notice. We will need to hire additional personnel as we continue to expand our development activities.

We have scientific and clinical advisors who assist us in formulating our development and clinical strategies. These advisors are not employees of the Company and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us. In addition, our advisors may have arrangements with other companies to assist those companies in developing products or technologies that may compete with ours.

We may not be able to attract or retain qualified management and scientific personnel in the future due to the intense competition for qualified personnel among biotechnology, pharmaceutical and other businesses and our current financial position. If we are not able to attract and retain the necessary personnel to accomplish our business objectives, we may experience constraints that will impede significantly the achievement of our development objectives, our ability to raise additional capital and its ability to implement its business strategy. In particular, if we lose any members of our senior management team, we may not be able to find suitable replacements in a timely fashion or at all and our business may be harmed as a result.

We may encounter difficulties in managing our expected growth and in expanding our operations successfully.

As we advance our product candidates through development and clinical trials, we will need to develop or expand our development, regulatory, manufacturing, marketing and sales capabilities or contract with third parties to provide these capabilities for us. Maintaining additional relationships and managing our future growth will impose significant added responsibilities on members of our management. We must be able to: manage our development efforts effectively; manage our clinical trials effectively; hire, train and integrate additional management, development, administrative and sales and marketing personnel; improve our managerial, development, operational and finance systems; and expand our facilities, all of which may impose a strain on our administrative and operational infrastructure.

Furthermore, we may acquire additional businesses, products or product candidates that complement or augment our existing business. Integrating any newly acquired business, product or product candidate could be expensive and time-consuming. We may not be able to integrate any acquired business, product or product candidate successfully or operate any acquired business profitably. Our future financial performance will depend, in part, on our ability to manage any future growth effectively and our ability to integrate any acquired businesses. We may not be able to accomplish these tasks, and our failure to accomplish any of them could prevent us from successfully growing the Company.

We need to further develop our financial and reporting processes, procedures and controls to support our anticipated growth.

To manage the anticipated growth of our operations and personnel, we may be required to improve existing, or implement new, operational and financial systems, processes and procedures, and to expand, train and manage our employee base. Our current and planned systems, procedures and controls may not be adequate to support our future operations.

We may be adversely impacted if our controls over external financial reporting fail or are circumvented.

We regularly review and update our internal controls, disclosure controls and procedures, and corporate governance policies. In addition, we are required under the Sarbanes Oxley Act of 2002 to report annually on our internal control over financial reporting. If it were to be determined that our internal control over financial reporting is not effective, such shortcoming could have an adverse effect on our business and financial results and the price of our common stock could be negatively affected. This reporting requirement could also make it more difficult or more costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. Any system of internal controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the controls and procedures or failure to comply with regulation concerning control and procedures could have a material effect on our business, results of operation and financial condition. Any of these events could result in an adverse reaction in the financial marketplace due to a loss of investor confidence in the reliability of our financial statements, which ultimately could negatively impact the market price of our shares, increase the volatility of our stock price and adversely affect our ability to raise additional funding. The impact of these events could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees and as executive officers.

We rely, in part, on third parties to conduct clinical trials for our product candidates and plan to rely on third parties to conduct future clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may be unable to obtain regulatory approval for or commercialize our current and future product candidates.

To implement our product development strategies, we rely on third parties, such as contract research organizations, medical institutions, clinical investigators and contract laboratories, to conduct our clinical trials of our product candidates. Although we rely on these third parties to conduct our clinical trials, we are responsible for ensuring that each of our clinical trials is conducted in accordance with our investigational plan and protocol. Moreover, the FDA and non-U.S. regulatory authorities require us to comply with regulations and standards, commonly referred to as Good Clinical Practices ("GCPs") for conducting, monitoring, recording and reporting the results of clinical trials to ensure that the data and results are scientifically credible and accurate and that the clinical trial subjects are adequately informed of the potential risks of participating in clinical trials. Our reliance on third parties does not relieve us of these responsibilities and requirements. If the third parties conducting our clinical trials do not perform their contractual duties or obligations, do not meet expected deadlines or need to be replaced, or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to GCPs or for any other reason, we may need to enter into new arrangements with alternative third parties and our clinical trials may be extended, delayed or terminated. In addition, a failure by such third parties to perform their obligations in compliance with GCPs may cause our clinical trials to fail to meet regulatory requirements, which may require us to repeat our clinical trials.

We rely on third parties to manufacture and supply our product candidates.

We do not own or operate manufacturing facilities, and we depend on third-party contract manufacturers for production of our product candidates. We have limited experience in drug formulation and manufacturing, and we lack the resources and the capability to manufacture any of our product candidates ourselves. To date, our product candidates have been manufactured in limited quantities for pre-clinical studies and clinical trials. All active pharmaceutical ingredient for OGX-011 has been manufactured for us by Isis and all drug product has been manufactured for us by Formatech, Inc. and Pyramid Laboratories, Inc., in each case pursuant to a purchase order or short-term contract that has been fulfilled. We will need to obtain additional quantities of OGX-011 to complete our first phase 3 clinical trial.

All active pharmaceutical ingredient for OGX-427 for IND-enabling toxicology studies and initial clinical trials has been manufactured for us by Avecia Biotechnology Inc. and all drug product has been manufactured for us by Laureate Pharma, Inc., in each case pursuant to a purchase order or short-term contract that has been fulfilled.

If, in the future, one of our product candidates is approved for commercial sale, we will need to manufacture that product candidate in commercial quantities. We cannot assure you that the third-party manufacturers with which we have contracted in the past will have sufficient capacity to satisfy our future manufacturing needs, or that we will be able to negotiate additional purchases of active pharmaceutical ingredient or drug product from these or alternative manufacturers on terms favorable to us, or at all.

Third party manufacturers may fail to perform under their contractual obligations, or may fail to deliver the required commercial quantities of bulk drug substance or finished product on a timely basis and at commercially reasonable prices. Any performance failure on the part of our contract manufacturers could delay clinical development or regulatory approval of our product candidates or commercialization of our future product candidates, depriving us of potential product revenue and resulting in additional losses. If we are required to identify and qualify an alternate manufacturer, we may be forced to delay or suspend our clinical trials, regulatory submissions, required approvals or commercialization of our product candidates, which may cause us to incur higher costs and could prevent us from commercializing our product candidates successfully. If we are unable to find one or more replacement manufacturers capable of production at a reasonably favorable cost, in adequate volumes, of adequate quality, and on a timely basis, we would likely be unable to meet demand for our product candidates and our clinical trials could be delayed or we could lose potential revenue. Our ability to replace an existing active pharmaceutical ingredient manufacturer may be difficult because the number of potential manufacturers is limited to approximately four manufacturers, and the FDA must inspect any replacement manufacturer and review information related to product produced at the manufacturer before they can begin manufacturing our product candidates. It may be difficult or impossible for us to identify and engage a replacement manufacturer on acceptable terms in a timely manner, or at all. We expect to continue to depend on third-party contract manufacturers for the foreseeable future.

Our product candidates require precise, high quality manufacturing. Any of our contract manufacturers will be subject to ongoing periodic unannounced inspection by the FDA and non-U.S. regulatory authorities to ensure strict compliance with current Good Manufacturing Practice, or cGMP, and other applicable government regulations and corresponding standards. If our contract manufacturers fail to achieve and maintain high manufacturing standards in compliance with cGMP regulations, we may experience manufacturing errors resulting in patient injury or death, product recalls or withdrawals, delays or interruptions of production or failures in product testing or delivery, delay or prevention of filing or approval of marketing applications for our product candidates, cost overruns or other problems that could seriously harm our business.

Significant scale-up of manufacturing may require additional validation studies, which the FDA must review and approve. Additionally, any third party manufacturers we retain to manufacture our product candidates on a commercial scale must pass an FDA pre-approval inspection for conformance to the cGMPs before we can obtain approval of our product candidates. If we are unable to successfully increase the manufacturing capacity for a product candidate in conformance with cGMPs, the regulatory approval or commercial launch of any related products may be delayed or there may be a shortage in supply.

If we are unable to develop our sales and marketing and distribution capability on our own or through collaborations with marketing partners, we will not be successful in commercializing our product candidates. We currently do not have a marketing staff nor a sales or distribution organization.

We currently do not have marketing, sales or distribution capabilities. If our product candidates are approved, we may establish a sales and marketing organization with technical expertise and supporting distribution capabilities to commercialize our product candidates, that will be expensive and time consuming. Any failure or delay in the development of internal sales, marketing and distribution capabilities would adversely impact the commercialization of these product candidates. We may choose to collaborate with third parties that have direct sales forces and established distribution systems, either to augment our own sales force and distribution systems or in lieu of our own sales force and distribution systems. To the extent that we enter into co-promotion or other licensing arrangements, our product revenue is likely to be lower than if we directly marketed or sold our products, when and if we have any. In addition, any revenue we receive will depend in whole or in part upon the efforts of such third parties, which may not be successful and will generally not be within our control. If we are unable to enter into such arrangements on acceptable terms or at all, we may not be able to successfully commercialize our existing and future product candidates. If we re not successful in commercializing our existing and future product candidates, either on our own or through collaborations with one or more third parties, our future product revenue will suffer and we may incur significant additional losses.

Risks Related to Our Intellectual Property

Our proprietary rights may not adequately protect our technologies and product candidates.

Our commercial success will depend on our ability to obtain patents and/or regulatory exclusivity and maintain adequate protection for our technologies and product candidates in the United States and other countries. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies and future product candidates are covered by valid and enforceable patents or are effectively maintained as trade secrets.

We apply for patents covering both our technologies and product candidates, as we deem appropriate. However, we may fail to apply for patents on important technologies or product candidates in a timely fashion, or at all. Our existing patents and any future patents we obtain may not be sufficiently broad to prevent others from practicing our technologies or from developing competing products and technologies. In addition, we do not always control the patent prosecution of subject matter that we license from others. Accordingly, we are sometimes unable to exercise the same degree of control over this intellectual property as we would over our own. Moreover, the patent positions of biopharmaceutical companies are highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. As a result, the validity and enforceability of our patents cannot be predicted with certainty. In addition, we cannot guarantee that:

- we or our licensors were the first to make the inventions covered by each of our issued patents and pending patent applications;
- we or our licensors were the first to file patent applications for these inventions;

- others will not independently develop similar or alternative technologies or duplicate any of our technologies;
- any of our or our licensors' pending patent applications will result in issued patents;
- any of our or our licensors' patents will be valid or enforceable;
- any patents issued to us or our licensors and collaboration partners will provide us with any competitive advantages, or will not be challenged by third parties;
- we will develop additional proprietary technologies that are patentable; or
- the patents of others will not have an adverse effect on our business.

The actual protection afforded by a patent varies on a product-by-product basis, from country to country and depends upon many factors, including the type of patent, the scope of its coverage, the availability of regulatory related extensions, the availability of legal remedies in a particular country and the validity and enforceability of the patents. Our ability to maintain and solidify our proprietary position for our product candidates will depend on our success in obtaining effective claims and enforcing those claims once granted. Our issued patents and those that may issue in the future, or those licensed to us, may be challenged, invalidated or circumvented, and the rights granted under any issued patents may not provide us with proprietary protection or competitive advantages against competitors with similar products. Due to the extensive amount of time required for the development, testing and regulatory review of a potential product, it is possible that, before any of our product candidates can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby reducing any advantage of the patent.

Protection afforded by U.S. patents may be adversely affected by proposed changes to patent related U.S. statutes and to U.S. Patent and Trademark Office ("U.S.PTO") rules, especially changes to rules concerning the filing of continuation applications. If implemented, the rules may require that second or subsequent continuing application filings be supported by a showing as to why the new amendments or claims, argument or evidence presented could not have been previously submitted. Other rules, if implemented, may limit consideration by the U.S.PTO of up to only ten claims per application. It is common practice to file multiple patent applications with many claims in an effort to maximize patent protection. If the first set of proposed U.S.PTO rules are implemented, they may limit our ability to file continuing applications directed to our product candidates and methods and related competing products and methods. In addition, if the second set of U.S.PTO rules are implemented, they may limit our ability to patent a number of claims sufficient to cover our product candidates and methods and related competing products and methods. Other changes to the patent statutes may adversely affect the protection afforded by U.S. patents and/or open U.S. patents up to third party attack in non-litigation settings.

We also rely on trade secrets to protect some of our technology, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to maintain. While we use reasonable efforts to protect our trade secrets, our or our collaboration partners' employees, consultants, contractors or scientific and other advisors may unintentionally or willfully disclose our proprietary information to competitors. Enforcement of claims that a third party has illegally obtained and is using trade secrets is expensive, time consuming and uncertain. In addition, non-U.S. courts are sometimes less willing than U.S. courts to protect trade secrets. If our competitors independently develop equivalent knowledge, methods and know-how, we would not be able to assert our trade secrets against them and our business could be harmed.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on all of our product candidates and products, when and if we have any, in every jurisdiction would be prohibitively expensive. Competitors may use our technologies in jurisdictions where we or our licensors have not obtained patent protection to develop their own products. These products may compete with our products, when and if we have any, and may not be covered by any of our or our licensors' patent claims or other intellectual property rights.

The laws of some non-U.S. countries do not protect intellectual property rights to the same extent as the laws of the United States, and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biotechnology and/or pharmaceuticals, which could make it difficult for us to stop the infringement of our patents. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

The intellectual property protection for our product candidates is dependent on third parties.

With respect to OGX-011, OGX-427 and OGX-225, we have exclusively licensed from UBC certain issued patents and pending patent applications covering the respective antisense sequences underlying these product candidates and their commercialization and use and we have licensed from Isis certain issued patents and pending patent applications directed to product compositions and chemical modifications used in product candidates for commercialization, use and the manufacturing thereof, as well as some alternative antisense sequences. We have also received a sublicense from Isis under certain third party patent portfolios directed to such modifications. We have entered into an exclusive in-licensing agreement with Bayer for development of caspase activators that are presently being evaluated in preclinical studies.

The patents and pending patent applications underlying our licenses do not cover all potential product candidates, modifications and uses. In the case of patents and patent applications licensed from Isis and Bayer, we do not have and have not had any control over the filing, prosecution or enforcement of these patents or patent applications. We cannot be certain that such prosecution efforts have been or will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents. We also cannot be assured that our licensors or their respective licensors will agree to enforce any such patent rights at our request or devote sufficient efforts to attain a desirable result. Any failure by our licensors or any of their respective licensing partners to properly protect the intellectual property rights relating to our product candidates could have a material adverse effect on our financial condition and results of operation.

The patent protection for our product candidates or products may expire before we are able to maximize their commercial value which may subject us to increased competition and reduce or eliminate our opportunity to generate product revenue.

The patents for our product candidates have varying expiration dates and, when these patents expire, we may be subject to increased competition and we may not be able to recover our development costs. For example, the first granted U.S. patent directed to OGX-011 and licensed from UBC is due to expire in 2021. In some of the larger economic territories, such as the United States and Europe, patent term extension/restoration may be available to compensate for time taken during aspects of the product candidate's regulatory review. However, we cannot be certain that an extension will be granted, or if granted, what the applicable time period or the scope of patent protection afforded during any extended period will be. In addition, even though some regulatory agencies may provide some other exclusivity for a product candidate under its own laws and regulations, we may not be able to qualify the product candidate or obtain the exclusive time period.

If we are unable to obtain patent term extension/restoration or some other exclusivity, we could be subject to increased competition and our opportunity to establish or maintain product revenue could be substantially reduced or eliminated. Furthermore, we may not have sufficient time to recover our development costs prior to the expiration of our U.S. and non-U.S. patents.

We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights and we may be unable to protect our rights to, or use of, our technology.

If we choose to go to court to stop someone else from using the inventions claimed in our patents or our licensed patents, that individual or company has the right to ask the court to rule that these patents are invalid and/or should not be enforced against that third party. These lawsuits are expensive and would consume time and other resources even if we were successful in stopping the infringement of these patents. In addition, there is a risk that the court will decide that these patents are invalid or unenforceable and that we do not have the right to stop the other party from using the inventions. There is also the risk that, even if the validity of these patents is upheld, the court will refuse to stop the other party on the ground that such other party's activities do not infringe our rights.

If we wish to use the technology or compound claimed in issued and unexpired patents owned by others, we will need to obtain a license from the owner, enter into litigation to challenge the validity or enforceability of the patents or incur the risk of litigation in the event that the owner asserts that we infringed its patents. The failure to obtain a license to technology or the failure to challenge an issued patent that we may require to discover, develop or commercialize our product candidates may have a material adverse impact on us.

If a third party asserts that we infringed its patents or other proprietary rights, we could face a number of risks that could seriously harm our results of operations, financial condition and competitive position, including:

- patent infringement and other intellectual property claims, which would be costly and time consuming to defend, whether or not the claims have merit, and which could delay the regulatory approval process and divert management's attention from our business;
- substantial damages for past infringement, which we may have to pay if a court determines that our product candidates or technologies infringe a competitor's patent or other proprietary rights;
- a court prohibiting us from selling or licensing our technologies or future drugs unless the third party licenses its patents or other proprietary rights to us on commercially reasonable terms, which it is not required to do; and
- if a license is available from a third party, we may have to pay substantial royalties or lump sum payments or grant cross licenses to our patents or other proprietary rights to obtain that license.

The biotechnology industry has produced a proliferation of patents, and it is not always clear to industry participants, including us, which patents cover various types of products or methods of use. The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform. If we are sued for patent infringement, we would need to demonstrate that our product candidates or methods of use either do not infringe the patent claims of the relevant patent and/or that the patent claims are invalid, and we may not be able to do this. Proving invalidity, in particular, is difficult since it requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents.

U.S. patent laws as well as the laws of some foreign jurisdictions provide for provisional rights in published patent applications beginning on the date of publication, including the right to obtain reasonable royalties, if a patent subsequently issues and certain other conditions are met.

Because some patent applications in the United States may be maintained in secrecy until the patents are issued, because patent applications in the United States and many foreign jurisdictions are typically not published until 18 months after filing, and because publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patent applications for technology covered by our licensors' issued patents or our pending applications or our licensors' pending applications, or that we or our licensors were the first to invent the technology.

Patent applications filed by third parties that cover technology similar to ours may have priority over our or our licensors' patent applications and could further require us to obtain rights to issued patents covering such technologies. If another party files a United States patent application on an invention similar to ours, we may elect to participate in or be drawn into an interference proceeding declared by the U.S.PTO to determine priority of invention in the United States. The costs of these proceedings could be substantial, and it is possible that such efforts would be unsuccessful, resulting in a loss of our United States patent position with respect to such inventions.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations. We cannot predict whether third parties will assert these claims against us or against the licensors of technology licensed to us, or whether those claims will harm our business. If we are forced to defend against these claims, whether they are with or without any merit, whether they are resolved in favor of or against us or our licensors, we may face costly litigation and diversion of management's attention and resources. As a result of these disputes, we may have to develop costly non-infringing technology, or enter into licensing agreements. These agreements, if necessary, may be unavailable on terms acceptable to us, if at all, which could seriously harm our business or financial condition.

If we breach any of the agreements under which we license rights to our product candidates or technology from third parties, we could lose license rights that are important to our business. Certain of our license agreements may not provide an adequate remedy for their breach by the licensor.

We license the development and commercialization rights for most of our product candidates, including OGX-011, OGX-427, OGX-225 and CSP-9222, and we expect to enter into similar licenses in the future. Under such licenses, we are subject to various obligations such as royalty and milestone payments, annual maintenance fees, limits on sublicensing, insurance obligations and the obligation to use commercially reasonable best efforts to develop and exploit the licensed technology. If we fail to comply with any of these obligations or otherwise breach these agreements, our licensors may have the right to terminate the license in whole or in part or to terminate the exclusive nature of the license. Loss of any of these licenses or the exclusivity rights provided therein could harm our financial condition and operating results. In addition, certain of our license agreements with UBC eliminate our ability to obtain money damages in respect of certain claims against UBC.

We may be subject to damages resulting from claims that we, or our employees or consultants, have wrongfully used or disclosed alleged trade secrets of third parties.

Many of our employees were previously employed, and certain of our consultants are currently employed, at universities or biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we have not received any claim to date, we may be subject to claims that these employees or consultants or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of these current or former employers. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. We may be subject to claims that employees of our partners or licensors of technology licensed by us have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. We may become involved in litigation to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel.

Risks Related to our Common Stock and Other Securities

If we raise additional financing, the terms of such transactions may cause dilution to existing shareholders or contain terms that are not favorable to us.

To date, our sources of cash have been limited primarily to proceeds from the private or public placement of our securities. In the future, we may seek to raise additional financing through private placements or public offerings of our equity or debt securities. We cannot be certain that additional funding will be available on acceptable terms, or at all. To the extent that we raise additional funds by issuing equity securities, our shareholders may experience significant dilution. Any debt financing, if available, may involve restrictive covenants, such as limitations on our ability to incur additional indebtedness, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business.

The price for our common stock is volatile.

The market prices for our common stock and that of emerging growth companies generally have historically been highly volatile. Future announcements concerning us or our competitors may have a significant impact on the market price of our common stock.

If we were to fail to meet any of the continued listing requirements for the Nasdaq Capital Market, our common stock could be delisted, the effects of which could include limited release of a market price of our common stock, limited liquidity for stockholders and limited news coverage and could result in an adverse effect on the market for our common stock. Further, if our common stock is delisted, we may have difficulties in raising, or may be unable to raise, additional funds with which to operate our business by selling our common stock.

The stock markets also experience significant price and volume fluctuation unrelated to the operating performance of particular companies. These market fluctuations may also adversely affect the market price of our common stock.

An increase in the market price of our common shares, which is uncertain and unpredictable, may be your sole source of gain from an investment in our common shares. An investment in our common shares may not be appropriate for investors who require dividend income.

We have never declared or paid cash dividends on our capital stock. We do not anticipate paying any cash dividends on our capital stock in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future. Accordingly, an investment in our common shares may not be appropriate for investors who require dividend income.

Anti-takeover provisions in our shareholder rights plan, our constating documents and under Delaware law could make a third party acquisition of the Company difficult.

We have a shareholder rights plan that may have the effect of discouraging unsolicited takeover proposals. Specifically, the rights issued under the shareholder rights plan could cause significant dilution to a person or group that attempts to acquire us on terms not approved in advance by our board of directors. In addition, our certificate of incorporation and bylaws contain provisions that may discourage unsolicited takeover proposals that shareholders may consider to be in their best interests. These provisions include the ability of our board of directors to designate the terms of and issue new series of preferred stock and the ability of our board of directors to amend the bylaws without stockholder approval. In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless certain specific requirements are met as set forth in Section 203. Collectively, these provisions could make a third party acquisition of the Company difficult or could discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our common stock.

Risks Related to Our Industry

The regulatory approval process is expensive, time consuming and uncertain and may prevent us from obtaining approvals for the commercialization of some or all of our product candidates.

The research, testing, manufacturing, labeling, approval, selling, marketing and distribution of drug products are subject to extensive regulation by the FDA and non-U.S. regulatory authorities, which regulations differ from country to country. We are not permitted to market our product candidates in the United States until we receive approval of a NDA, from the FDA. We have not submitted an application for or received marketing approval for any of our product candidates. Obtaining approval of an NDA can be a lengthy, expensive and uncertain process. In addition, failure to comply with FDA, non-U.S. regulatory authorities' or other applicable United States and non-U.S. regulatory requirements may, either before or after product approval, if any, subject our company to administrative or judicially imposed sanctions, including:

- restrictions on the products, manufacturers or manufacturing process;
- warning letters;
- civil and criminal penalties;
- injunctions;
- suspension or withdrawal of regulatory approvals;
- product seizures, detentions or import bans;
- voluntary or mandatory product recalls and publicity requirements;
- total or partial suspension of production;
- imposition of restrictions on operations, including costly new manufacturing requirements; and
- refusal to approve pending NDAs or supplements to approved NDAs.

Regulatory approval of an NDA or NDA supplement is not guaranteed, and the approval process is expensive and may take several years. The FDA also has substantial discretion in the drug approval process. Despite the time and expense exerted, failure can occur at any stage, and we could encounter problems that cause us to abandon clinical trials or to repeat or perform additional pre-clinical studies and clinical trials. The number of pre-clinical studies and clinical trials that will be required for FDA approval varies depending on the drug candidate, the disease or condition that the drug candidate is designed to address, and the regulations applicable to any particular drug candidate. The FDA can delay, limit or deny approval of a drug candidate for many reasons, including:

- a drug candidate may not be deemed safe or effective;
- the FDA may not find the data from pre-clinical studies and clinical trials sufficient;
- the FDA might not approve our third-party manufacturer's processes or facilities;
- the FDA may change its approval policies or adopt new regulations; or
- third party products may enter the market and change approval requirements.

Even if we obtain regulatory approvals for our product candidates, the terms of approvals and ongoing regulation of our product candidates may limit how we manufacture and market our product candidates, which could materially impair our ability to generate revenue.

Upon regulatory approval to market any of our product candidates, if any, the approved product and its manufacturer are subject to continual review. Any regulatory approval that we receive for a product candidate is likely to be subject to limitations on the indicated uses for which the end product may be marketed, or include requirements for potentially costly post-approval follow-up clinical trials. In addition, if the FDA and/or non-U.S. regulatory authorities approve any of our product candidates, the labeling, packaging, adverse event reporting, storage, advertising and promotion for the end product will be subject to extensive regulatory requirements. We and the manufacturers of our products, when and if we have any, will also be required to comply with current Good Manufacturing Practice ("cGMP") regulations, which include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation. Further, regulatory agencies must approve these manufacturing facilities before they can be used to manufacture our products, when and if we have any, and these facilities are subject to ongoing regulatory inspection. If we fail to comply with the regulatory requirements of the FDA and other non-U.S. regulatory authorities, or if previously unknown problems with our products, when and if we have any, manufacturers or manufacturing processes are discovered, we could be subject to administrative or judicially imposed sanctions, including:

- restrictions on the products, manufacturers or manufacturing process;
- warning letters;
- civil or criminal penalties or fines;
- injunctions;
- product seizures, detentions or import bans;
- voluntary or mandatory product recalls and publicity requirements;

- suspension or withdrawal of regulatory approvals;
- total or partial suspension of production;
- imposition of restrictions on operations, including costly new manufacturing requirements; and
- refusal to approve pending NDAs or supplements to approved NDAs.

In addition, the FDA and non-U.S. regulatory authorities may change their policies and additional regulations may be enacted that could prevent or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States, Canada or abroad. If we are not able to maintain regulatory compliance, we would likely not be permitted to market our future product candidates and we may not achieve or sustain profitability.

Even if we receive regulatory approval to market our product candidates, the market may not be receptive to our products.

Even if our product candidates obtain regulatory approval, resulting products may not gain market acceptance among physicians, patients, health care payors and/or the medical community. We believe that the degree of market acceptance will depend on a number of factors, including:

- timing of market introduction of competitive products;
- safety and efficacy of our products;
- prevalence and severity of any side effects;
- potential advantages or disadvantages over alternative treatments;
- strength of marketing and distribution support;
- price of our products, both in absolute terms and relative to alternative treatments; and
- availability of coverage and reimbursement from government and other third-party payors.

If our future product candidates fail to achieve market acceptance, we may not be able to generate significant revenue or achieve or sustain profitability.

There is a high risk that our drug development activities will not result in commercial products.

Our product candidates are in various stages of development and are prone to the risks of failure inherent in drug development. We will need to complete significant additional clinical trials before we can demonstrate that our product candidates are safe and effective to the satisfaction of the FDA and non-U.S. regulatory authorities. Clinical trials are expensive and uncertain processes that take years to complete. Failure can occur at any stage of the process, and successful early clinical trials do not ensure that later clinical trials will be successful. Product candidates in later-stage clinical trials may fail to show desired efficacy and safety traits despite having progressed through initial clinical trials. A number of companies in the pharmaceutical industry have suffered significant setbacks in advanced clinical trials, even after obtaining promising results in earlier clinical trials. In addition, a clinical trial may prove successful with respect to a secondary objective, but fail to demonstrate clinically significant benefits with respect to a primary objective. Failure to satisfy a primary objective in a phase 3 clinical trial (registration trial) would generally mean that a product candidate would not receive regulatory approval.

If government and third-party payors fail to provide coverage and adequate reimbursement rates for our product candidates, our revenues and potential for profitability will be reduced.

In the United States and elsewhere, our product revenues will depend principally upon the reimbursement rates established by third-party payors, including government health administration authorities, managed-care providers, public health insurers, private health insurers and other organizations. These third-party payors are increasingly challenging the price, and examining the cost effectiveness, of medical products and services. In addition, significant uncertainty exists as to the reimbursement status, if any, of newly approved drugs, pharmaceutical products or product indications. We may need to conduct post-marketing clinical trials in order to demonstrate the cost-effectiveness of products. Such clinical trials may require us to commit a significant amount of management time and financial and other resources. If reimbursement of such product is unavailable or limited in scope or amount or if pricing is set at unsatisfactory levels, our revenues could be reduced.

In some countries other than the United States, particularly the countries of the European Union and Canada, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, obtaining pricing approval from governmental authorities can take six to twelve months or longer after the receipt of regulatory marketing approval of a product for an indication. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost-effectiveness of one of our product candidates to other available therapies. If reimbursement of such product candidate is unavailable or limited in scope or amount or if pricing is set at unsatisfactory levels, our revenues could be reduced.

Domestic and foreign governments continue to propose and pass legislation designed to reduce the cost of healthcare, including drugs. In the United States, there have been, and we expect that there will continue to be, federal and state proposals to implement similar governmental control. In addition, increasing emphasis on managed care in the United States will continue to put pressure on the pricing of pharmaceutical products. For example, the Medicare Prescription Drug Improvement and Modernization Act of 2003 reforms the way Medicare will cover and reimburse for pharmaceutical products. The legislation expands Medicare coverage for drug purchases by the elderly and eventually will introduce a new reimbursement methodology based on average sales prices for certain drugs. In addition, the new legislation provides authority for limiting the number of outpatient drugs that will be covered in any therapeutic class. As a result of the new legislation and the expansion of federal coverage of drug products, we expect that there will be additional pressure to contain and reduce costs. The Medicaid program and state healthcare laws and regulations may also be modified to change the scope of covered products and/or reimbursement methodology. Cost control initiatives could decrease the established reimbursement rates that we receive for any products in the future, which would limit our revenues and profitability. Legislation and regulations affecting the pricing of pharmaceutical products, including OGX-011, may change at any time, which could further limit or eliminate reimbursement rates for OGX-011 or other product candidates.

Failure to obtain regulatory approval outside the United States would prevent us from marketing our product candidates abroad.

We intend to market certain of our existing and future product candidates in non-North American markets. In order to market our existing and future product candidates in the European Union and many other non-North American jurisdictions, we must obtain separate regulatory approvals. We have had no interactions with non-North American regulatory authorities, and the approval procedures vary among countries and can involve additional testing, and the time required to obtain approval may differ from that required to obtain FDA approval. Approval by the FDA or other regulatory authorities does not ensure approval by regulatory authorities in other countries, and approval by one or more non-North American regulatory authorities does not ensure approval by regulatory authorities in other countries or by the FDA. The non-North American regulatory approval process may include all of the risks associated with obtaining FDA approval. We may not obtain non-North American regulatory approvals on a timely basis, if at all. We may not be able to file for non-North American regulatory approvals and may not receive necessary approvals to commercialize our existing and future product candidates in any market.

We are at risk of securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because biotechnology and biopharmaceutical companies have experienced significant stock price volatility in recent years and particularly over the past year. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

OncoGenex has business offices located in Bothell, Washington and Vancouver, British Columbia. Prior to the Arrangement, Sonus entered into a non-cancellable lease agreement for laboratory and office space in Bothell, Washington. Sonus moved into this facility on December 14, 2007. The lease involves approximately 42,600 square feet of laboratory and office space in a single facility, currently at a rent of $2 million per annum. The lease has a 10 year term and includes two options to renew for additional five year periods.

In its Vancouver office, OncoGenex leases approximately 4,857 square feet, currently at a rent of approximately $121,000 per annum. This lease expires in September 2009. OncoGenex has an option to renew the lease for a further term of five years.

Prior to the Arrangement, OncoGenex also leased approximately 3,687 square feet of office space in Seattle, Washington, at a rent of approximately $65,000 per annum. Following the expiration of the lease in November 2008, all OncoGenex employees previously located in the Seattle office relocated to the Bothell, Washington location.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company may be involved in litigation relating to claims arising out of our operations in the normal course of business. The Company currently is not a party to any legal proceedings, the adverse outcome of which, in management's opinion, individually or in the aggregate, would have a material adverse effect on the Company's results of operations or financial position. There are no material proceedings to which any director, officer or any of our affiliates, any owner of record or beneficially of more than five percent of any class of our voting securities, or any associate of any such director, officer, our affiliates, or security holder, is a party adverse to the Company or its consolidated subsidiary or has a material interest adverse thereto.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the year ended December 31, 2008.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock first began trading on the Nasdaq National Market under the symbol "SNUS" on October 12, 1995. Following the completion of the Arrangement discussed elsewhere in this Annual Report on Form 10-K, the Company's common stock commenced trading on the Nasdaq Capital Market under the stock symbol "OGXI" effective August 21, 2008.

No cash dividends have been paid on our common stock, and we do not anticipate paying any cash dividends in the foreseeable future. As of March 3, 2009, there were approximately 121 stockholders of record and approximately 6,887 beneficial stockholders of our Common Stock. The high and low sales prices of our common stock as reported by Nasdaq for the periods indicated are as follows:

OncoGenex Pharmaceuticals, Inc	HIGH (1)	LOW (1)
YEAR ENDED DECEMBER 31, 2008:		
First quarter	10.26	6.12
Second quarter	9.00	4.50
Third quarter	8.22	3.02
Fourth quarter	9.38	2.00
YEAR ENDED DECEMBER 31, 2007:		
First quarter	111.96	81.90
Second quarter	112.50	90.36
Third quarter	97.74	10.62
Fourth quarter	12.60	7.20

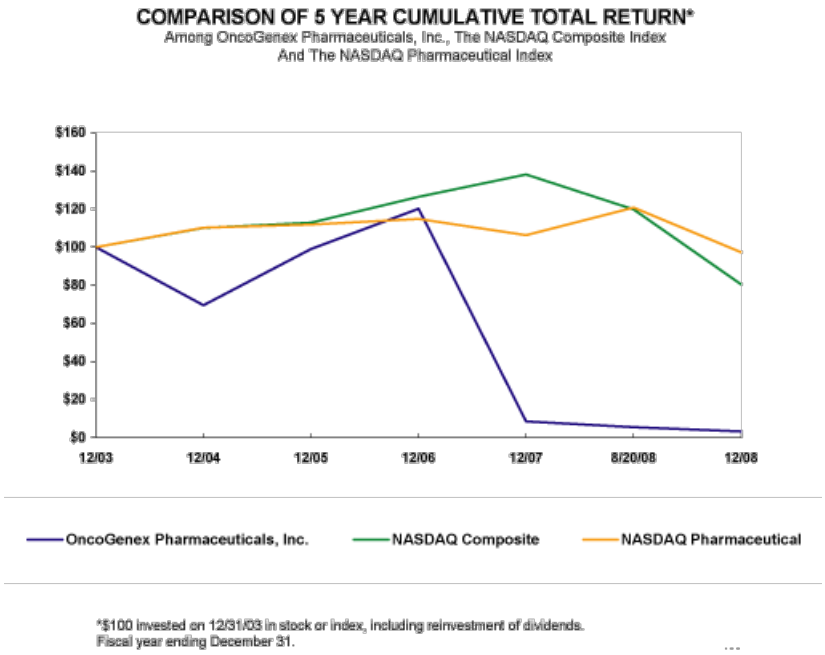
(1) All amounts reported herein are presented on a post-one-for-eighteen reverse stock split basis.

The information required by this item regarding equity compensation plan information is set forth in Part III, Item 12 of this Annual Report filed on Form 10-K. We made no purchases of equity securities during the year ended December 31, 2008.

Stock Performance Graph

This following performance graph shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filings. The graph compares the cumulative five year total return provided shareholders on OncoGenex Pharmaceuticals, Inc.'s common stock relative to the cumulative total returns of the Nasdaq Composite index and the Nasdaq Pharmaceutical index. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each of the indexes on December 31, 2003 and its relative performance is tracked through December 31, 2008. All amounts reflected in the graph are presented on a post one-for-eighteen reverse stock split basis.

The stock price performance included in this graph is not necessarily indicative of future stock price performance.



	12/03	12/04	12/05	12/06	12/07	8/20/08(1)	12/08
OncoGenex Pharmaceuticals, Inc.	100.00	69.49	99.02	120.28	8.56	5.51	3.28
NASDAQ Composite	100.00	110.08	112.88	126.51	138.13	119.85	80.47
NASDAQ Pharmaceutical	100.00	110.22	111.87	114.89	106.37	120.80	97.32

(1) August 20, 2008 represents the day before the date of the completion of the Arrangement.

ITEM 6. SELECTED FINANCIAL DATA

The data set forth below should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and Notes thereto appearing at Item 8 of this report. The selected statements of operations data for the years ended December 31, 2008, 2007 and 2006 and balance sheet data as of December 31, 2008 and 2007 set forth below have been derived from our audited financial statements included elsewhere in this Annual Report on Form 10-K. The selected statements of operations data for the years ended December 31, 2005 and 2004 and balance sheet data as of December 31, 2006, 2005 and 2004 set forth below have been derived from the audited financial statements for such years not included in this Annual Report on Form 10-K.

In connection with the Arrangement, OncoGenex Technologies was considered to be the acquiring company for accounting purposes. Accordingly, the assets and liabilities of Sonus were recorded, as of the effective time of the Arrangement, at their respective fair values and added to those of OncoGenex Technologies. The results of the operations and balance sheet data for the year ended December 31, 2008 reflect the results of only OncoGenex Technologies for the time period of January 1, 2008 through August 20, 2008 and the results of the combined company from August 21, 2008 through December 31, 2008. The historical results of operations and balance sheet data shown for years ended December 31, 2007, 2006, 2005 and 2004 reflect only those of OncoGenex Technologies prior to the Arrangement, and do not reflect the results of Sonus. The historical results presented are not necessarily indicative of future results.

	December 31,				
	2008	2007	2006	2005	2004
	(in thousands except share and per share amounts)				
Statements of Operations Data:					
Operating expenses	$ 11,112	$ 7,675	$ 11,302	$ 4,666	$ 3,708
Net loss	$ 4,204	$ 8,536	$ 11,594	$ 4,929	$ 4,011
Redeemable convertible preferred share accretion	$ 1,973	$ 2,944	$ 2,604	$ 1,843	$ 1,248
Loss attributable to common shareholders	$ 6,177	$ 11,480	$ 14,198	$ 6,772	$ 5,259
Basic and diluted loss per common share	$ (3.38)	$ (96.63)	$ (119.51)	$ (58.71)	$ (49.53)
Shares used in calculation of net loss per share					
Basic	1,829,276	118,801	118,801	115,350	106,179
Diluted	1,829,276	118,801	118,801	115,350	106,179

	December 31,				
	2008	2007	2006	2005	2004
			(in thousands)		
Balance Sheet Data:					
Cash, cash equivalents and marketable securities	$ 12,419	$ 5,131	$ 8,012	$ 13,785	$ 7,915
Total assets	$ 14,790	$ 7,350	$ 9,395	$ 19,750	$ 11,397
Current liabilities	$ 2,884	$ 8,200	$ 2,532	$ 1,752	$ 2,595
Series preferred shares	$ —	$ 37,373	$ 34,429	$ 31,825	$ 16,531
Common shares	$ 56,076	$ 399	$ 399	$ 399	$ 378
Deficit accumulated during the development stage	$ (48,009)	$ (41,832)	$ (30,352)	$ (16,154)	$ (9,382)
Stockholders' equity	10,707	(38,223)	(27,566)	(13,827)	(7,729)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF

Forward-Looking Statements

This document contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve a number of risks and uncertainties. We caution readers that any forward-looking statement is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statement. These statements are based on current expectations of future events. Such statements include, but are not limited to, statements about the anticipated benefits of the Arrangement completed on August 21, 2008 between Sonus and OncoGenex Technologies, including future financial and operating results, the combined company's plans, objectives, expectations and intentions, costs and expenses, interest rates, outcome of contingencies, financial condition, results of operations, liquidity, business strategies, cost savings, objectives of management and other statements that are not historical facts. You can find many of these statements by looking for words like "believes," "expects," "anticipates," "estimates," "may," "should," "will," "could," "plan," "intend," or similar expressions in this document or in documents incorporated by reference in this document. We intend that such forward-looking statements be subject to the safe harbors created thereby. Examples of these forward-looking statements include, but are not limited to:

- our anticipated future capital requirements and the terms of any capital financing agreements;
- progress and preliminary and future results of clinical trials;
- anticipated regulatory filings, requirements and future clinical trials;
- timing and amount of future contractual payments, product revenue and operating expenses; and
- market acceptance of our products and the estimated potential size of these markets.

These forward-looking statements are based on the current beliefs and expectations of our management and are subject to significant risks and uncertainties. If underlying assumptions prove inaccurate or unknown risks or uncertainties materialize, actual results may differ materially from current expectations and projections. The following factors, among others, could cause actual results to differ from those set forth in the forward-looking statements:

- future capital requirements and uncertainty of obtaining additional funding through corporate partnerships, debt or equity financings;
- uncertainties regarding the Company's future operating results, and the risk that the Company's products will not obtain the requisite regulatory approvals to commercialize its products or that the future sales of the Company's products may be less than expected;
- the potential inability to integrate and realize benefits from strategic opportunities, including mergers and acquisitions;
- the impact of current, pending or future legislation, regulations and legal actions in the United States, Canada and elsewhere affecting the pharmaceutical and healthcare industries;
- currency fluctuation in the Company's primary markets;
- the timing, expense and uncertainty associated with the development and regulatory approval process for products;

- uncertainties regarding the safety and effectiveness of the Company's products and technologies;
- the reliance on third parties who license intellectual property rights to the Company to comply with the terms of such agreements and to enforce, prosecute and defend such intellectual property rights;
- the potential inability to successfully protect and enforce our intellectual property rights;
- the risk that results of research and preclinical studies may not be indicative of results in humans;
- the risk that results in humans may not be indicative of results in future studies;
- volatility in the value of our common stock;
- the Company's dependence on key employees;
- the potential for product liability issues and related litigation;
- the potential for claims arising from the use of hazardous materials in our business;
- fluctuations in our operating results;
- our ability to build out our product candidate pipeline through product in-licensing or acquisition activities;
- proper management of our operations will be critical to the success of the Company;
- history of operating losses and uncertainty of future financial results;
- dependence on the development and commercialization of products;
- acceptance of our products by the medical community;
- uncertainty relating to the timing and results of clinical trials;
- general competitive conditions within the drug development and pharmaceutical industry; and
- general economic conditions.

You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document or, in the case of documents referred to or incorporated by reference, the date of those documents.

All subsequent written or oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as may be required under applicable U.S. securities law. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

MD&A Overview

In this Management's Discussion and Analysis of Financial Condition and Results of Operations we explain the general financial condition and the results of operations for our Company, including:

- an overview of our business;
- results of operations and why those results are different from the prior year; and
- capital resources we currently have and possible sources of additional funding for future capital requirements.

As discussed in more detail below, we require additional funding to support our planned operations, including our planned phase 3 clinical trial of OGX-011 in patients with castrate resistant prostate cancer. We may seek such additional funding through executing a partnership or collaboration agreement with a third party that has sufficient resources to fund the development of our product candidates, licensing agreement or sale of certain of our product candidates, private or public offerings of our equity securities, or debt financings. There can be no assurance that we will be able to obtain additional funding on terms favorable to us, or at all. In particular, the current widespread economic downturn, including the current tightening of credit availability, may adversely affect our access to fundraising through the capital markets.

Arrangement Agreement

The consolidated financial statements account for the Arrangement between Sonus and OncoGenex Technologies, whereby Sonus acquired all of the outstanding preferred shares, common shares and convertible debentures of OncoGenex Technologies, as a reverse takeover wherein OncoGenex Technologies is deemed to be the acquiring entity from an accounting perspective. For the year ended December 31, 2008, the consolidated results of operations of the Company include only the results of operations of OncoGenex Technologies for the time period from January 1, 2008 through August 20, 2008 and the results of the combined company following the completion of the Arrangement on August 21, 2008. The consolidated results of operations for the years ended December 31, 2007 and December 31, 2006 include only the consolidated results of operations of OncoGenex Technologies and do not include historical results of Sonus.

On August 12, 2008, OncoGenex Technologies' stockholders approved the Arrangement and on August 19, 2008, Sonus stockholders approved both the Arrangement and a one-for-eighteen reverse stock split of its common stock. The reverse stock split occurred immediately prior to the closing of the Arrangement. Resulting fractional shares were eliminated. All information in this report relating to the number of shares, price per share, and per share amounts of common stock are presented on a post-split basis.

Under the purchase method of accounting, Sonus' outstanding shares of common stock were valued using the average closing price on Nasdaq National Market of $5.04 for the two days prior through to the two days subsequent to the announcement of the Arrangement Agreement on May 27, 2008. There were 2,059,898 shares of common stock outstanding, as adjusted for the reverse stock split, on August 20, 2008, immediately prior to closing. The fair value of the Sonus outstanding stock options were determined using the Black-Scholes option pricing model with the following assumptions: stock price of $4.86, volatility of 57.67% to 89.48%, risk-free interest rate of 1.73% to 3.89%, and expected lives ranging from 0.05 to 4.79 years. The fair value of the Sonus outstanding warrants were determined using the Black-Scholes option pricing model with the following assumptions: stock price of $4.86, volatility of 58.71%, risk-free interest rate 3.89%, and expected lives ranging from 0.99 to 1.08 years.

The final purchase price is summarized as follows (in thousands):

Sonus common stock	$	10,385
Fair value of options and warrants assumed		71
Transaction costs of OncoGenex		807
Total purchase price	$	11,263

Under the purchase method of accounting, the total purchase price as shown in the table above is allocated to the Sonus net tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the date of the completion of the Arrangement. The final purchase price allocation is as follows (in thousands):

Cash	$	5,464
Marketable securities		14,808
Accounts receivable		6
Interest receivable		273
Other current assets		175
Furniture and equipment		1,186
Other long term assets		497
Intangible assets		280
Accounts payable		(35)
Accrued expenses excluding severance payable		(652)
Severance payable to employees as part of restructuring		(1,322)
Severance payable to senior executives		(1,440)
Excess facility loss		(2,083)
Negative goodwill		(5,894)
Total purchase price	$	11,263

In accordance with SFAS 141, any excess of fair value of acquired net assets over purchase price (negative goodwill) has been recognized as an extraordinary gain in the period the Arrangement was completed. The excess has been allocated as a pro rata reduction of the amounts that otherwise would have been assigned to the non-current acquired assets. Prior to allocation of the excess negative goodwill OncoGenex has reassessed whether all acquired assets and assumed liabilities have been identified and recognized and performed remeasurements to verify that the consideration paid, assets acquired, and liabilities assumed have been properly valued. The remaining excess has been recognized as an extraordinary gain. Any subsequent adjustments to the extraordinary gain resulting from the changes to the purchase price allocation shall be recognized as an extraordinary item.

The final pro rata reduction of non-current and intangible assets acquired is as follows (in thousands):

Negative goodwill	$	(5,894)
Furniture and equipment		1,186
Intangible assets		280
Excess negative goodwill	$	(4,428)

Pro Forma Results of Operations

The results of operations of Sonus are included in OncoGenex' consolidated financial statements from the date of the completion of the transaction on August 21, 2008. The following table presents pro forma results of operations and gives effect to the business combination transaction as if the transaction was consummated at the beginning of the period presented. The pro forma results of operations are not necessarily indicative of what would have occurred had the business combination been completed at the beginning of the retrospective periods or of the results that may occur in the future.

(in thousands except share and per share amounts)		For the year ended December 31, 2008		For the year ended December 31, 2007
Revenue	$	—	$	20,131
Net loss applicable to common shareholders	$	(28,102)	$	(19,977)
Net loss per share — basic and diluted	$	(15.36)	$	(168.16)
Weighted average shares		1,829,276		118,801

Overview of the Company

OncoGenex is a biopharmaceutical company committed to the development and commercialization of new cancer therapies that address unmet needs in the treatment of cancer. The Company has five product candidates in its pipeline, with each product candidate having a distinct mechanism of action and representing a unique opportunity for cancer drug development.

OncoGenex' product candidates OGX-011, OGX-427 and OGX-225 focus on mechanisms of treatment resistance in cancer patients and are designed to address treatment resistance by blocking the production of specific proteins which it believes promote survival of tumor cells and are over-produced in response to a variety of cancer treatments. OncoGenex' aim in targeting these particular proteins is to disable the tumor cell's adaptive defenses and thereby render the tumor cells more susceptible to attack with a variety of cancer therapies, including chemotherapy, which OncoGenex believes will increase survival time and improve the quality of life for cancer patients. Product candidate SN2310 is a novel camptothecin for the treatment of cancer. Camptothecins are potent anticancer agents that belong to the family of drugs called topoisomerase I inhibitors that bind reversibly to the TOPO-I-DNA complex causing breaks in the DNA strands during replication resulting in cell death. Product candidate CSP-9222 is the lead compound from a family of compounds demonstrating activation of programmed cell death in pre-clinical models that have been in-licensed from Bayer.

Sonus was incorporated in October 1991 and OncoGenex Technologies was incorporated in May 2000. OncoGenex has devoted substantially all of its resources to the development of its product candidates. To date, OncoGenex Technologies has funded its operations primarily through the private placements of equity securities, and Sonus has funded its operations primarily through private and public placements of equity securities. Neither company has ever been profitable. The Company incurred a loss for the year ended December 31, 2008 of $6.2 million and has a cumulative loss of $48 million since OncoGenex Technologies' inception in 2000 through December 31, 2008.

We require additional funding to support our planned operations, including our planned phase 3 clinical trial of OGX-011 in patients with castrate resistant prostate cancer. We may seek such additional funding through executing a partnership or collaboration agreement with a third party that has sufficient resources to fund the development of our product candidates, licensing agreement or sale of certain of our product candidates, private or public offerings of our equity securities, or debt financings. There can be no assurance that we will be able to obtain additional funding on terms favorable to us, or at all. In particular, the current widespread economic downturn, including the current tightening of credit in the financial markets, may adversely affect our ability to obtain adequate financing If we are successful in obtaining additional funding and initiating one or both of our phase 3 clinical trials, then, unless the costs of development are borne by a third party pursuant to a partnership or collaboration agreement, we anticipate that our losses will rapidly increase, due primarily to the costs associated with phase 3 clinical trials.

As noted earlier in this section, we have designed three possible phase 3 clinical trials to evaluate the clinical benefit of OGX-011 in CRPC. OncoGenex believes that two of the three studies will be required for product marketing approval. Currently, OncoGenex intends that the first-line docetaxel with and without OGX-011 will be combined with one of the second-line clinical trials. Determination of which of the two second-line studies will be conducted is dependent upon further discussions with the FDA, and is subject to obtaining additional funding. Management believes that the Company's existing personnel and facilities are sufficient to carry on existing development activities. OncoGenex is unable to predict when, if ever, it will be able to commence the sale of any of its product candidates.

Revenues

OncoGenex has not generated any revenues from the sale of its products to date, and it does not expect to generate any revenues from licensing or product sales until it executes a partnership or collaboration arrangement or is able to commercialize its product candidates itself.

Research and Development Expenses

Research and development ("R&D") expenses consist primarily of costs for: clinical trials; materials and supplies; facilities; personnel, including salaries and benefits; regulatory activities; pre-clinical studies; licensing and intellectual property; and allocations of other research and development-related costs. External research and development expenses include fees paid to universities, hospitals and other entities that conduct certain research and development activities and that manufacture our product candidates for use in its clinical trials. We expect our research and development expenses to increase significantly in the future as we continue to develop our product candidates. Currently, we manage our clinical trials through independent medical investigators at their sites and at hospitals.

A majority of our expenditures to date have been related to the development of OGX-011.

Until July 2, 2008, OGX-011 was being co-developed with Isis, and R&D expenses for OGX-011 were shared on the basis of 65% OncoGenex and 35% Isis. On July 2, 2008, OncoGenex and Isis amended their agreement to provide for unilateral development of OGX-011 by OncoGenex. Under the amended agreement, OncoGenex is responsible for all development costs and activities for OGX-011. We are required to pay to Isis royalties for OGX-011 ranging from 5.5% to 7% of net sales. In addition, we will pay to Isis 30% of the upfront fees and milestone payments that we receive if we license OGX-011 prior to initiation of registration trials, 25% if we license OGX-011 before 20% of patients have been enrolled in a registration trial, 20% if we license OGX-011 prior to marketing approval from a regulatory authority and 15% thereafter.

Several of our clinical trials have been supported by grant funding which was received directly by the hospitals and/or clinical investigators conducting the clinical trials allowing us to complete these clinical trials with minimal expense.

Since our product candidates are in development, we cannot estimate completion dates for development activities or when we might receive material net cash inflows from our research and development projects.

General and Administrative Expenses

General and administrative ("G&A") expenses consist primarily of salaries and related costs for OncoGenex' personnel in executive, business development, human resources, external communications, finance and other administrative functions, as well as consulting costs, including market research and business consulting. Other costs include professional fees for legal and accounting services, insurance and facility costs. OncoGenex believes that G&A resources are sufficient to carry on existing development activities. If we are successful in obtaining additional capital through licensing or through equity or debt financing and we initiate a phase 3 clinical trial, we anticipate that G&A expenses will increase significantly in the future as we continue to expand our operating activities.

Restructuring Activities

As a requirement for the closing of the Arrangement, Sonus terminated the employment of two senior executives. Severance payable at the date of the Arrangement was $1,439,319 and has been accounted for in accordance with EITF No. 95-3, *"Recognition of Liabilities in Connection with a Purchase Business Combination"* as part of the purchase price allocation. The severance payable was settled following the completion of the Arrangement and the amount owing at December 31, 2008 was nil.

On August 21, 2008, immediately following the completion of the Arrangement, the Company reduced workforce by approximately 49% in order to implement cost-savings measures to preserve cash while focusing on its highest potential product development programs. Severance payable at the date of the restructuring in connection with former employees of Sonus was $1,322,296 and has been accounted for in accordance with EITF No. 95-3, *"Recognition of Liabilities in Connection with a Purchase Business Combination"* as part of the purchase price allocation. The Company estimates that all severance liabilities relating to transaction-related workforce reductions will be paid out by October 2009, and the amount owing at December 31, 2008 was $137,000.

Prior to the Arrangement, Sonus entered into a non-cancellable lease arrangement for office space located in Bothell, Washington, which is considered to be in excess of the Company's current requirements. We are actively seeking opportunities to lease or sublease the Bothell facility. The Company has recognized a restructuring charge of $1,721,961 in relation to the estimated fair value of the liability remaining at December 31, 2008 with respect to excess facilities. The liability is computed as the present value of the difference between the remaining lease payments due less the estimate of net sublease income and expenses and has been accounted for in accordance with EITF No. 95-3*, "Recognition of Liabilities in Connection with a Purchase Business Combination"* as part of the purchase price allocation. This represents the Company's best estimate of the fair value of the liability. Subsequent changes in the liability due to accretion, or changes in estimates of sublease assumptions, etc. will be recognized as adjustments to restructuring charges in future periods.

Results of Operations

As discussed above, on August 21, 2008, Sonus completed the Arrangement with OncoGenex Technologies, whereby Sonus acquired all of the outstanding preferred shares, common shares and convertible debentures of OncoGenex Technologies. The consolidated financial statements reflect the Arrangement as a reverse acquisition, whereby OncoGenex Technologies is deemed to be the acquiring entity from an accounting perspective. For the year ended December 31, 2008, the consolidated results of operations of the Company include only the results of operations of OncoGenex Technologies for the time period of January 1, 2008 through August 21, 2008 and the results of the combined company following the completion of the Arrangement on August 21, 2008. The consolidated results of operations for the years ended December 31, 2007 and December 31, 2006 include only the consolidated results of operations of OncoGenex Technologies and do not include historical results of Sonus. This treatment and presentation is in accordance with SFAS 141, "Business Combinations". Proforma results are included in note 4 to the financial statements.

Years Ended December 31, 2008 and December 31, 2007

R&D expenses for the year ended December 31, 2008 were $7.8 million compared to $4.1 million for the year ended December 31, 2007, which reflects an increase of $3.7 million due mainly to costs associated with the development of OGX-427, an increase in employee expenses and higher facility costs both resulting from the reverse takeover of Sonus.

G&A expenses for the year ended December 31, 2008 were $3.3 million compared to $3.5 million for the year ended December 31, 2007, which reflects a decrease of approximately $200 thousand due mainly to higher costs associated with employee expenses and increased costs associated with operating as a public company, offset by higher costs incurred as part of a planned initial public offering in 2007 by OncoGenex Technologies which was later suspended.

Interest income for the year ended December 31, 2008 was $210 thousand compared to $177 thousand for year ended December 31, 2007, which reflects an increase of $33 thousand due mainly to an increase in cash equivalents and short term investments.

Other for the year ended December 31, 2008 was $211 thousand in income compared to $325 thousand in expense for the year ended December 31, 2007, due to gains on sales of equipment, and foreign exchange gains.

Years Ended December 31, 2007 and December 31, 2006

R&D expenses for the year ended December 31, 2007 were $4.1 million compared to $8.0 million for the year ended December 31, 2006, reflecting a decrease of $3.9 million due mainly to lower manufacturing and preclinical costs for the development of OGX-427 in 2007. The 2006 expenses included the cost to manufacture the first batch of OGX-427 drug product and preclinical toxicology studies required before the drug could be administered to a patient in a clinical trial.

G&A expenses for the year ended December 31, 2007 were $3.5 million compared to $3.3 million for the year ended December 31, 2006, reflecting an increase of approximately $200 thousand due mainly to higher spending on expenses required to finance and expand the business.

Interest income for the year ended December 31, 2007 was approximately $200 thousand compared to approximately $500 thousand for the year ended December 31, 2006, reflecting a decrease of approximately $300 thousand. The decrease is due to the reduction in cash balances available to be invested in 2007.

Interest and foreign exchange expense was a net expense amount of $325 thousand for the year ended December 31, 2007 compared to a net expense amount of $71 thousand for the year ended December 31, 2006 due mainly to foreign exchange and convertible debt interest expense.

Liquidity and Capital Resources

OncoGenex has incurred cumulative losses of $48 million since the inception of OncoGenex Technologies through December 31, 2008. OncoGenex does not expect to generate revenue from product candidates for several years. Prior to the Arrangement, Sonus funded its operations through private and public offerings of common stock, and OncoGenex Technologies funded its operations primarily through the private placement of its preferred shares. Cash, cash equivalents and short term investments of $20.3 million were realized in August 2008 as a result of the Arrangement.

As at December 31, 2008, OncoGenex had cash, cash equivalents and short-term investments of $12.4 million in the aggregate as compared to $5.1 million as at December 31, 2007. As at December 31, 2008, OncoGenex does not have any borrowing or credit facilities available to it.

Cash Flows

Cash Used in Operations

For the years ended December 31, 2008 and 2007, net cash used in operations was $12.3 million and $7.9 million respectively. This increase in cash used in operations in the year ended December 31, 2008 compared to the same period in 2007 was attributable primarily to increased R&D expenses associated with personnel and facilities assumed in the Arrangement, cash used to reduce liabilities assumed in the Arrangement and increased current assets associated with R&D activities. The increase in cash used in operations in the year December 31, 2008 compared to the same period in 2007 was partly offset by cash provided by income tax credits recoverable recovered in 2008 compared to cash used in 2007 from an increase in that asset. For the year ended December 31, 2007 the increase in income tax credits is a use of cash. We expect that our cash used in operations for the year ended December 31, 2009 to be consistent with the year ended December 31, 2008.

For the year ended December 31, 2007, cash used in operations of $7.9 million was attributable primarily to OncoGenex' loss and an increase in investment tax credit recoverable of $1.0 million, offset partly by an increase in taxes payable under Part VI.1 of the Income Tax Act ("Part VI.1 tax") of $1.0 million and the interest on its convertible debentures of $0.2 million.

For the year ended December 31, 2006, cash used in operations of $10.6 million was attributable primarily to OncoGenex' loss, partly offset by an increase in taxes payable due to Part VI.1 tax of $700 thousand.

Cash Provided by Financing Activities

For the year ended December 31, 2008 and 2007, net cash provided by financing activities was $121 thousand and $4.4 million respectively. All net cash provided by financing activities in the year ended December 31, 2008 was the result of proceeds from the issuance of common shares on stock option exercises, offset by cash paid on the elimination of fractional shares following the one-for-eighteen reverse stock split. All net cash provided by financing activities in the year ended December 31, 2007 was due to the issuance of convertible debentures. OncoGenex had no cash provided, or used, by financing activities for the year ended December 31, 2006.

Cash Used/Provided by Investing Activities

Net cash provided by investing activities for the year ended December 31, 2008 was $15.1 million. Net cash provided by investing activities in the year ended December 31, 2008 was due to the Arrangement with Sonus and transactions involving marketable securities in the normal course of business.

Net cash provided by investing activities for the years ended December 31, 2007 and December 31, 2006 of $6.3 million and $11.2 million, respectively, was due primarily to maturities of investments.

Operating Capital and Capital Expenditure Requirements

OncoGenex believes that its cash, cash equivalents and short-term investments will be sufficient to fund its currently planned operations through February, 2010 including:

- completion of its ongoing phase 2 clinical trials of OGX-011;
- completion of its phase 1 clinical trial evaluating OGX-427 as a monotherapy in patients with solid tumors;
- reaching an agreement with the FDA via the Special Protocol Assessment process (“SPA”) on the design of a second phase 3 registration trial evaluating durable pain palliation for OGX-011 in combination with docetaxel as second-line chemotherapy in patients with CRPC;
- initiation of an investigator-sponsored phase 1 clinical trial evaluating OGX-427 treatment in patient with bladder cancer; and
- working capital, capital expenditures and general corporate purposes.

We require additional funding to support our planned operations, including our planned phase 3 clinical trials of OGX-011 in patients with castrate resistant prostate cancer. We may obtain additional funding through executing a partnership or collaboration agreement with a third party that has sufficient resources to fund the development of our product candidates or the licensing or sale of certain of our product candidates, or through private or public offerings of our equity securities or debt financings.

Our future capital requirements depend on many factors including:

- our ability to obtain additional funding through executing a partnership or collaboration agreement with a third party that has sufficient resources to fund the development of our product candidates or the licensing or sale of certain of our product candidates, or through private or public offerings of our equity securities or debt financings;
- timing and costs of clinical trials, preclinical development and regulatory approvals;
- timing and cost of drug discovery and research and development;
- entering into new collaborative or product license agreements for products in our pipeline; and
- costs related to obtaining, defending and enforcing patents.

There can be no assurance that we will be able to obtain additional funding on terms favorable to us, or at all. Our ability to obtain financing is particularly uncertain due to the current widespread economic downturn. If we are unable to obtain sufficient funds to satisfy our cash requirements within the required timeframe on terms favorable to us, we may be forced to curtail development activities and other operations or dispose of assets. Such events would materially and adversely affect our financial position and results of operations. In the event that such steps are not sufficient, or we believe that they will not be sufficient, we may be required to discontinue our operations.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2008:

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Bothell office operating lease (1)	$ 20,179,000	$ 2,437,000	$ 4,050,000	$ 4,297,000	$ 9,395,000
Vancouver office operating lease (2)	$ 111,000	$ 111,000	—	—	—
Bayer license maintenance fees (3)	$ 750,000	$ 100,000	$ 275,000	$ 375,000	—
UBC license maintenance fees (4)	$ 32,500	$ 6,500	$ 13,000	$ 13,000	—
Isis purchase obligation (5)	$ 1,356,000	$ 1,356,000	—	—	—
Leased equipment	$ 47,000	$ 45,000	$ 2,000	—	—
Total	$ 22,475,500	$ 4,055,500	$ 4,340,000	$ 4,685,000	$ 9,395,000

(1) This operating lease, which commenced in 2007, is for a term of ten years and contains a provision for two additional five-year renewals.

(2) This operating lease expires in 2009 and contains a provision for one five-year renewal.

(3) Under the terms of our agreement with Bayer, OncoGenex will make annual payments to Bayer on June 27 of each year ("Anniversary Payments"), with an initial payment of $100,000 in 2009. The payments will increase annually by $25,000 until the initiation of the first phase 3 clinical trial related relating to CSP-9222, at which point the Anniversary Payments reset to $100,000 and increase by $25,000, until such time as the Company achieves either the first NDA filing in the United States or the European Union related to CSP-9222. For the purposes of this table we assume no reset in pricing resulting from initiation of phase 3 trials. OncoGenex has the option to terminate this contract upon 60 days written notice to Bayer.

(4) The Company is obligated to pay an annual license maintenance fee of CAD $8,000 to UBC, which has been translated based on the December 31, 2008 exchange rate of US$1.00 = CAD$1.224, and rounded to the nearest $100.

(5) Amount represents OncoGenex' purchase obligation with respect to the purchase from Isis of, and the payment obligation for, OGX-011 Active Pharmaceutical Ingredient.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet financing arrangements at December 31, 2008.

Inflation

We do not believe that inflation has had a material impact on our business and operating results during the periods presented.

Contingencies and Commitments

Pursuant to license agreements the Company has with UBC and Isis, the Company is obligated to pay royalties on future product sales and make milestone payments of up to $9.9 million upon the achievement of specified product development milestones as well as distribute a portion of certain milestone payments received by the Company. In addition, the Company is obligated to pay certain patent costs relating to patents held by UBC and annual license maintenance fees of CAD $8,000.

The UBC agreements have effective dates ranging from November 1, 2001 to April 5, 2005 and each agreement expires upon the later of 20 years from its effective date or the expiry of the last patent licensed thereunder, unless otherwise terminated.

Unless otherwise terminated, each Isis agreement generally will continue for so long as the relevant product is being developed or commercialized by OncoGenex.

On August 7, 2008, Sonus completed an exclusive in-licensing agreement with Bayer for development of a family of compounds known as caspase activators presently in preclinical research. Under the terms of the agreement, Sonus was granted exclusive rights to develop two core compounds for all prophylactic and therapeutic uses in humans. Additionally, Sonus was granted rights to all other non-core compounds covered under the patents for use in oncology.

Under the terms of the agreement, Bayer received an upfront license fee of $450,000. OncoGenex will make annual payments to Bayer on the anniversary date of each year ("Anniversary Payments"), with an initial payment of $100,000 in 2009. The payments will increase annually by $25,000 until the initiation of the first phase 3 clinical trial of CSP-9222, at which point the Anniversary Payments reset to $100,000 each year and increase by $25,000 until the Company achieves either the first NDA filing in the United States or the European Union relating to CSP-9222. OncoGenex is obligated to pay royalties ranging from 3.5% to 7.5% of net future product sales and aggregate payments of up to $14,000,000 for clinical development and regulatory milestones. No milestone payments can be triggered prior to the initiation of a phase 3 clinical trial. For more information on our commitments, see the contractual obligations table above.

Material Changes in Financial Condition

(in thousands)	December 31, 2008	December 31, 2008
Total Assets	$ 14,790	$ 7,350
Total Liabilities	$ 4,083	$ 45,573
Total Equity	$ 10,707	$ (38,223)

The increase in assets from December 31, 2007 primarily relates to increase in cash, cash equivalents and marketable securities following the Arrangement. The decline in liabilities from December 31, 2007 relates to generally lower accrued liabilities on reduced clinical trial expense, and the extinguishment of the convertible debentures and preferred shares upon completion of the Arrangement, which has resulted in the corresponding increase in equity.

Critical Accounting Policies and Estimates

Significant Accounting Policies

Short-term investments consist of financial instruments purchased with an original maturity of greater than three months and less than one year. The Company considers its short-term investments as available-for-sale and they are carried at market value with unrealized gains and losses, if any, reported as accumulated other comprehensive income or loss, which is a separate component of shareholders' equity (deficiency). Realized gains and losses on the sale of these securities are recognized in net income or loss. The cost of investments sold is based on the specific identification method.

Research and development costs are expensed as incurred, net of related refundable investment tax credits, with the exception of non-refundable advanced payments for goods or services to be used in future research and development, which are capitalized in accordance with Emerging Issues Task Force ("EITF") issued EITF Issue 07-03, "Accounting for Advance Payments for Goods or Services to Be Used in Future Research and Development" and included within Other Assets.

Clinical trial expenses are a component of research and development costs. These expenses include fees paid to contract research organizations and investigators and other service providers, which conduct certain product development activities on our behalf. The Company uses an accrual basis of accounting, based upon estimates of the amount of service completed. In the event payments differ from the amount of service completed, prepaid expense or accrued liabilities amounts are adjusted on the balance sheet. These expenses are based on estimates of the work performed under service agreements, milestones achieved, patient enrolment and experience with similar contracts. The Company monitors each of these factors to the extent possible and adjusts estimates accordingly.

Effective January 1, 2006, the Company adopted the fair value recognition provisions of the Financial Accounting Standards Board ("FASB") Statement No. 123(R) (or SFAS 123(R)), "Share-Based Payment", using the modified prospective method with respect to options granted to employees and directors. Under this transition method, compensation cost is recognized in the financial statements beginning with the effective date for all share-based payments granted after January 1, 2006 and for all awards granted prior to but not yet vested as of January 1, 2006. The expense is amortized on a straight-line basis over the graded vesting period.

Recent accounting pronouncements

In November 2007, the Emerging Issues Task Force issued EITF Issue 07-01, "Accounting for Collaborative Arrangements," or EITF No. 07-01. EITF No. 07-01 requires collaborators to present the results of activities for which they act as the principal on a gross basis and report any payments received from (made to) other collaborators based on other applicable GAAP or, in the absence of other applicable GAAP, based on analogy to authoritative accounting literature or a reasonable, rational, and consistently applied accounting policy election.

Further, EITF No. 07-01 clarified that the determination of whether transactions within a collaborative arrangement are part of a vendor-customer (or analogous) relationship subject to Issue 01-9, Accounting for Consideration Given by a Vendor to a Customer. EITF No. 07-01 is effective for fiscal years beginning after December 15, 2008. The Company does not expect that EITF 07-01 will have a material impact on the consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), "Business Combinations," or SFAS No. 141R. SFAS No. 141R will change the accounting for business combinations. Under SFAS No. 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141R will change the accounting treatment and disclosure for certain specific items in a business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company does not expect that SFAS No. 141R will have a material impact on the consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements — An Amendment of ARB No. 51," or SFAS No. 160. SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The Company does not expect that SFAS No. 160 will have a material impact on the consolidated financial position, results of operations or cash flows.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. It requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. In September 2008, the FASB issued FASB Staff Position ("FSP") FSP FAS 133-1 and FIN 45-4, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161". This FSP amends FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", to require disclosures by sellers of credit derivatives, including credit derivatives embedded in a hybrid instrument. This FSP also amends FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of indebtedness of Others", to require an additional disclosure about the current status of the payment/performance risk of a guarantee. Further, this FSP clarifies the Board's intent about the effective date of FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities". This statement is effective for financial statements issued for fiscal years beginning after November 15, 2008. The Company does not expect that these pronouncements will have a material impact on the consolidated financial position, results of operations or cash flows.

In April 2008, the FASB issued FASB Staff Position FAS 142-3, "Determination of Useful Life of Intangible Assets"(FSP 142-3). FSP 142-3 amends the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FAS 142, "Goodwill and Other Intangible Assets." FSP 142-3 also requires expanded disclosure regarding the determination of intangible asset useful lives. FSP 142-3 is effective for fiscal years beginning after December 15, 2008. Earlier adoption is not permitted. We do not believe the adoption of FSP 142-3 will have a material impact on our consolidated financial statements.

In May 2008, the FASB issued FASB FSB Accounting Principles Board ("APB") Opinion No. 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSB APB 14-1"). The FSP will require cash settled convertible debt to be separated into debt and equity components at issuance and a value to be assigned to each. The value assigned to the debt component will be the estimated fair value, as of the issuance date, of a similar bond without the conversion feature. The difference between the bond cash proceeds and this estimated fair value will be recorded as a debt discount and amortized to interest expense over the life of the bond. FSP APB 14-1 will become effective January 1, 2009. The Company does not expect that FSB APB 14-1 will have a material impact on the consolidated financial position, results of operations or cash flows.

In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP EITF 03-6-1"). FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method as described in SFAS No. 128, "Earnings per Share." Under the guidance in FSP EITF 03-6-1, unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. All prior-period earnings per share amounts presented shall be adjusted retrospectively. The Company does not expect that FSP EITF 03-6-1 will have a material impact on the consolidated financial position, results of operations or cash flows.

In June 2008, the FASB ratified the consensus reached by the EITF on Issue No. 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock" ("EITF No. 07-5"). EITF No. 07-5 provides guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock. EITF No. 07-5 applies to any freestanding financial instrument or embedded feature that has all of the characteristics of a derivative or freestanding instrument that is potentially settled in an entity's own stock (with the exception of share-based payment awards within the scope of SFAS 123(R)). To meet the definition of "indexed to own stock," an instrument's contingent exercise provisions must not be based on (a) an observable market, other than the market for the issuer's stock (if applicable), or (b) an observable index, other than an index calculated or measured solely by reference to the issuer's own operations, and the variables that could affect the settlement amount must be inputs to the fair value of a "fixed-for-fixed" forward or option on equity shares. EITF No. 07-5 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company does not expect the adoption of EITF No. 07-5 to change the classification or measurement of its financial instruments.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We invest our cash in a variety of financial instruments, primarily in short-term bank deposits, money market funds, and domestic and foreign commercial paper and government securities. These investments are denominated in U.S. dollars and are subject to interest rate risk, and could decline in value if interest rates fluctuate. Our investment portfolio includes only marketable securities with active secondary or resale markets to help ensure portfolio liquidity. Due to the conservative nature of these instruments, we do not believe that we have a material exposure to interest rate risk. For example, if market rates hypothetically increase immediately and uniformly by 100 basis points from levels at December 31, 2008, the decline in the fair value of our investment portfolio would not be material.

Foreign Currency Exchange Risk

We are exposed to risks associated with foreign currency transactions on certain contracts and payroll expenses related to our Canadian subsidiary, OncoGenex Technologies, denominated in Canadian dollars and we have not hedged these amounts. As our unhedged foreign currency transactions fluctuate, our earnings might be negatively affected. Accordingly, changes in the value of the U.S. dollar relative to the Canadian dollar might have an adverse effect on our reported results of operations and financial condition, and fluctuations in exchange rates might harm our reported results and accounts from period to period.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS:

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
OncoGenex Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheets of OncoGenex Pharmaceuticals, Inc. (a development stage company) (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of loss, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008 and the period from May 26, 2000 (inception) to December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of OncoGenex Pharmaceuticals, Inc. (a development stage company) at December 31, 2008 and 2007, and the consolidated results of its operations and its consolidated cash flows for each of the three years in the period ended December 31, 2008 and for the period from May 26, 2000 (inception) to December 31, 2008, in conformity with U.S. generally accepted accounting principles.

Vancouver, Canada,
February 25, 2009

ERNST & YOUNG LLP

OncoGenex Pharmaceuticals, Inc.

Consolidated Balance Sheets

(a development stage enterprise)

(In thousands of U.S. dollars)

	December 31, 2008 $	December 31, 2007 $ Note 1
ASSETS		
Current		
Cash and cash equivalents	7,618	4,626
Short-term investments *[note 5]*	4,801	505
Amounts receivable	153	77
Investment tax credit recoverable	1,090	1,736
Prepaid expenses	587	295
Total current assets	**14,249**	**7,239**
Property and equipment, net *[note 6]*	44	99
Other assets	497	12
Total assets	**14,790**	**7,350**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	2,252	1,048
Convertible debentures *[note 10]*	—	4,665
Current portion of long-term obligations *[note 7]*	632	—
Total current liabilities	**2,884**	**5,713**
Taxes payable	—	2,487
Long-term obligation, less current portion *[note 7]*	1,199	—
Total liabilities	**4,083**	**8,200**
Commitments and contingencies *[note 14]*		
Class A redeemable convertible preferred shares:		
no par value; unlimited number authorized; nil shares issued and outstanding at December 31, 2008 and 848,805 at December 31, 2007 (aggregate retraction amount of nil at December 31, 2008, and $5,720 at December 31, 2007) *[note 11]*	—	4,329
Class B redeemable convertible preferred shares:		
no par value; unlimited number authorized; nil shares issued and outstanding at December 31, 2008, and 8,945,448 at December 31, 2007 (aggregate retraction amount of nil at December 31, 2008, and $33,432 at December 31, 2007) *[note 11]*	—	33,044
Shareholders' equity (deficiency):		
Common shares:		
no par value; unlimited number authorized; 118,801 shares issued and outstanding at December 31, 2007 *[note 12]*	—	399
Common shares:		
$0.001 par value 11,019,930 shares authorized and 5,544,114 issued and outstanding at December 31, 2008	6	—
Additional paid-in capital	56,070	567
Deficit accumulated during the development stage	(48,009)	(41,832)
Accumulated other comprehensive income	2,640	2,643
Total shareholders' equity (deficiency)	**10,707**	**(38,223)**
Total liabilities and shareholders' equity (deficiency)	**14,790**	**7,350**

OncoGenex Pharmaceuticals, Inc.

Consolidated Statements of Loss

(In thousands of U.S. dollars, except share and per share amounts)

	Years ended December 31,			Period from 26-May-00 (inception) to December 31, 2008
	2008	2007	2006	
	$	$	$	$
EXPENSES				
Research and development	7,819	4,135	7,974	28,608
General and administrative	3,293	3,540	3,328	13,422
Total expenses	11,112	7,675	11,302	42,030
OTHER INCOME (EXPENSE)				
Interest income	210	177	454	1,412
Other	211	(325)	(71)	(583)
Total other income (expense)	421	(148)	383	829
Loss for the period before taxes and extraordinary gain	**(10,691)**	**(7,823)**	**(10,919)**	**(41,201)**
Income tax expense (recovery) *[note 9]*	(2,059)	713	675	107
Loss before extraordinary gain	**(8,632)**	**(8,536)**	**(11,594)**	**(41,308)**
Extraordinary gain *[note 4]*	4,428	—	—	4,428
Net loss	**(4,204)**	**(8,536)**	**(11,594)**	**(36,880)**
Redeemable convertible preferred share accretion	1,973	2,944	2,604	11,129
Loss attributable to common shareholders	**(6,177)**	**(11,480)**	**(14,198)**	**(48,009)**
Basic and diluted loss per common share *[note 12[h]]*	(3.38)	(96.63)	(119.51)	
Weighted average number of common shares *[note 12[h]]*	1,829,276	118,801	118,801	

See accompanying notes.

OncoGenex Pharmaceuticals, Inc.

Consolidated Statements of Stockholders' Equity

(In thousands of U.S. dollars, except share amounts)

	Common Shares	Amount	Accumulated Other Comprehensive Income (Loss)	Other Comprehensive Income (Loss)	Deficit Accumulated During the Development Stage	Total Shareholders' Deficiency
			(in thousands of U.S. dollars, except share amounts)			
Balance, December 31, 2005	**118,801**	**521**	**1,806**		**(16,154)**	**(13,827)**
Stock-based compensation expense		182				182
Cumulative translation adjustment from application of US dollar reporting			316	316		316
Reclassification of unrealized gain on marketable securities			(37)	(37)		(37)
Unrealized loss on marketable securities			(2)	(2)		(2)
Redeemable convertible preferred share accretion					(2,604)	(2,604)
Loss for the period				(11,594)	(11,594)	(11,594)
Comprehensive loss for the period				(11,317)		
Balance, December 31, 2006	**118,801**	**703**	**2,083**		**(30,352)**	**(27,566)**
Stock-based compensation expense		263				263
Cumulative translation adjustment from application of US dollar reporting			557	557		557
Reclassification of unrealized loss on marketable securities			2	2		2
Unrealized gain on marketable securities			1	1		1
Redeemable convertible preferred share accretion					(2,944)	(2,944)
Loss for the year				(8,536)	(8,536)	(8,536)
Comprehensive loss for the year				(7,976)		
Balance, December 31, 2007	**118,801**	**966**	**2,643**		**(41,832)**	**(38,223)**
Stock-based compensation expense		174				174
Shares held by Sonus shareholders	2,059,898	10,456				10,456
Shares issued in exchange for convertible debentures	1,036,586	5,012				5,012
Shares issued in exchange for preferred shares	905,131	39,345				39,345
Escrow shares released on achievement of milestones	1,388,875					
Stock option exercises	34,601	122				122
Issuance of common stock under employee benefit plans	222	1				1
Cumulative translation adjustment from application of US dollar reporting			(3)	(3)		(3)
Redeemable convertible preferred share accretion					(1,973)	(1,973)
Loss for the period				(4,204)	(4,204)	(4,204)
Comprehensive loss for the period				(4,207)		
Balance, December 31, 2008	**5,544,114**	**56,076**	**2,640**		**(48,009)**	**10,707**

OncoGenex Pharmaceuticals, Inc.

Consolidated Statements of Cash Flows

(In thousands of U.S. dollars)

	Years ended December 31,			Period from 26-May-00 (inception) to December 31,
	2008	2007	2006	2008
	$	$	$	$
OPERATING ACTIVITIES				
Income (loss) for the period	(4,204)	(8,536)	(11,594)	(36,880)
Add items not involving cash				
Extraordinary gain	(4,428)	—	—	(4,428)
Depreciation and amortization	89	83	94	427
Stock-based collaboration expense	—	—	—	1,758
Stock-based compensation *[note 12[c]]*	174	263	182	735
Accrued interest on convertible debenture *[note 10]*	313	193	—	505
Changes in non-cash working capital items	—	—	—	—
Amounts receivable	204	181	126	127
Investment tax credit recoverable	646	(993)	(184)	(1,089)
Prepaid expenses	—	(68)	—	(295)
Other assets	(117)	(1)	—	(129)
Accounts payable and accrued liabilities	(2,244)	(2)	129	(1,198)
Lease obligation	(253)	—	—	(253)
Taxes payable on preferred shares	(2,487)	1,001	651	—
Cash used in operating activities	**(12,307)**	**(7,879)**	**(10,596)**	**(40,720)**
FINANCING ACTIVITIES				
Cash paid on fractional shares eliminated on reverse share split	(3)	—	—	(3)
Proceeds from issuance of common stock under stock option and employee purchase plans	124	—	—	124
Issuance of preferred shares, net of share issue costs	—	—	—	26,719
Issuance of common shares, net of share issue costs	—	—	—	146
Issuance of convertible debentures net of issue costs	—	4,442	—	4,442
Cash provided by financing activities	**121**	**4,442**	**—**	**31,428**
INVESTING ACTIVITIES				
Purchase of investments	(4,843)	(6,763)	(18,093)	(89,020)
Proceeds from sale of investments	15,276	13,058	29,286	101,584
Purchase of property and equipment	(3)	(17)	(38)	(391)
Cash received on reverse takeover of Sonus	5,464	—	—	5,464
Transaction fees on reverse takeover of Sonus	(807)	—	—	(807)
Cash provided by investing activities	**15,087**	**6,278**	**11,155**	**16,830**
Effect of exchange rate changes on cash	90	(68)	12	(80)
Increase in cash and cash equivalents during the period	2,992	2,773	571	7,618
Cash and cash equivalents, beginning of the period	4,626	1,853	1,282	—
Cash and cash equivalents, end of the period	**7,618**	**4,626**	**1,853**	**7,618**

See accompanying notes.

OncoGenex Pharmaceuticals, Inc.

Notes to Consolidated Financial Statements

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

OncoGenex Pharmaceuticals, Inc. (the "Company" or "OncoGenex") is a development stage enterprise committed to the development and commercialization of new cancer therapies. The Company is incorporated in the state of Delaware and, together with its subsidiaries, has a facility in Bothell, Washington for administrative, clinical and regulatory operations and an office in Vancouver, BC for administrative, pre-clinical and manufacturing-related operations.

On August 21, 2008, Sonus Pharmaceuticals, Inc. ("Sonus") completed a transaction ("the Arrangement") with OncoGenex Technologies Inc., ("OncoGenex Technologies") whereby Sonus acquired all of the outstanding preferred shares, common shares and convertible debentures of OncoGenex Technologies. Sonus changed its name to OncoGenex Pharmaceuticals, Inc. and was listed on the Nasdaq Capital Market under the ticker symbol OGXI. These consolidated financial statements account for the Arrangement between Sonus and OncoGenex Technologies as a reverse acquisition, whereby OncoGenex Technologies is deemed to be the acquiring entity from an accounting perspective. The accompanying Balance Sheet at December 31, 2007 has been derived from the audited financial statements of OncoGenex Technologies included in the Company's Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission ("SEC") on July 3, 2008.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the financial position and results of operations of OncoGenex have been included. The consolidated financial statements include the accounts of OncoGenex Pharmaceuticals, Inc. and our wholly owned subsidiaries, OncoGenex Techologies and OncoGenex, Inc. All intercompany balances and transactions have been eliminated.

Liquidity

The Company has historically experienced recurring losses from operations that have generated an accumulated deficit of $48 million through December 31, 2008. For the year ended December 31, 2008, the Company used $12.3 million of cash to fund operations. At December 31, 2008, the Company had cash, cash equivalents and short-term investments of $12.4 million, and working capital of $11.3 million.

Under our current forecasted cash needs, we believe that existing cash, cash equivalents and short-term investments will be sufficient to fund expected operations into 2010. We will need additional capital in 2010 to support the continued development of OGX-011, other product candidates and to fund continuing operations.

2. ACCOUNTING POLICIES

Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes thereto. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents, which the Company considers as available for sale and are carried at market value with unrealized gains and losses, if any, reported as accumulated other comprehensive income or loss, which is a separate component of shareholders' equity (deficiency).

Short-Term Investments

Short-term investments consist of financial instruments purchased with an original maturity of greater than three months and less than one year. The Company considers its short-term investments as available-for-sale and they are carried at market value with unrealized gains and losses, if any, reported as accumulated other comprehensive income or loss, which is a separate component of shareholders' equity (deficiency). Realized gains and losses on the sale of these securities are recognized in net income or loss. The cost of investments sold is based on the specific identification method.

Property and Equipment

Property and equipment assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the following periods:

Computer equipment	3 years
Computer software	3 years
Furniture and fixtures	5 years
Leasehold improvements	Over the term of the lease

Reporting Currency and Foreign Currency Translation

Effective August 21, 2008, the Company changed its functional currency from the Canadian dollar to the U.S. dollar. With the acquisition of Sonus (note 4), the Company's primary economic environment has now changed from Canada to the United States. This has resulted in significant changes in economic facts and circumstances that clearly indicate that the functional currency has changed. The Company accounted for the change in functional currency prospectively.

The consolidated financial statements of the Company for the years ended December 31, 2006 and 2007 and for the period of January 1, 2008 to August 20, 2008, are based on the Canadian functional currency, and have been translated into the U.S. reporting currency using the current rate method as required by SFAS No. 52, "Foreign Currency Translation", ("SFAS 52") as follows: assets and liabilities using the rate of exchange prevailing at the balance sheet date; stockholders' deficiency using the applicable historic rate; and revenue and expenses using the monthly average rate of exchange. Translation adjustments have been included as part of the accumulated other comprehensive income.

Income Taxes

Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the differences between the carrying values of assets and liabilities and their respective income tax bases and for operating losses and tax credit carry forwards. A valuation allowance is provided for the portion of deferred tax assets that is more likely than not to be unrealized. Deferred tax assets and liabilities are measured using the enacted tax rates and laws.

Scientific Research and Development Tax Credits

The benefits of tax credits for scientific research and development expenditures are recognized in the year the qualifying expenditure is made provided there is reasonable assurance of recoverability. The tax credits recorded are based on management's estimates of amounts expected to be recovered and are subject to audit by taxation authorities. The refundable tax credit reduces the carrying cost of expenditures for research and development expenses to which it relates. The non-refundable tax credit reduces the tax provision. Following the completion of the Arrangement (note 4) all qualifying expenditures are eligible for non-refundable tax credits only.

Research and Development Costs

Research and development costs are expensed as incurred, net of related refundable investment tax credits, with the exception of non-refundable advanced payments for goods or services to be used in future research and development, which are capitalized in accordance with Emerging Issues Task Force ("EITF") issued EITF Issue 07-03, "Accounting for Advance Payments for Goods or Services to Be Used in Future Research and Development" and included within Other Assets.

Clinical trial expenses are a component of research and development costs. These expenses include fees paid to contract research organizations and investigators and other service providers, which conduct certain product development activities on our behalf. The Company uses an accrual basis of accounting, based upon estimates of the amount of service completed. In the event payments differ from the amount of service completed, prepaid expense or accrued liabilities amounts are adjusted on the balance sheet. These expenses are based on estimates of the work performed under service agreements, milestones achieved, patient enrolment and experience with similar contracts. The Company monitors each of these factors to the extent possible and adjusts estimates accordingly.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted the fair value recognition provisions of the Financial Accounting Standards Board ("FASB") Statement No. 123(R) (or SFAS 123(R)), "Share-Based Payment", using the modified prospective method with respect to options granted to employees and directors. Under this transition method, compensation cost is recognized in the financial statements beginning with the effective date for all share-based payments granted after January 1, 2006 and for all awards granted prior to but not yet vested as of January 1, 2006. The expense is amortized on a straight-line basis over the graded vesting period.

Segment Information

The Company follows the requirements of SFAS No. 131, "Disclosure *About Segments of an Enterprise and Related Information.*" The Company has one operating segment, dedicated to the development and commercialization of new cancer therapies, with operations located in Canada and the United States.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) consists of translation adjustments from the application of U.S. dollar reporting and unrealized gains and losses on the Company's available-for-sale marketable securities. The Company has reported the components of comprehensive loss in the statement of shareholders' equity.

Income (Loss) per Common Share

Basic loss per common share is computed using the weighted average number of common shares outstanding during the period adjusted to reflect the equivalent OncoGenex Pharmaceuticals shares and equity structure. Prior to the completion of the Arrangement on August 21, 2008 the weighted average number of common shares represents OncoGenex Technologies only. Diluted loss per common share is computed in accordance with the treasury stock method which uses the weighted average number of common shares outstanding during the period. The effect of potentially issuable common shares from outstanding stock options and convertible preferred shares and debentures is anti-dilutive for all periods presented.

Recently Adopted Accounting Policies

Effective January 1, 2008, the Company adopted SFAS No. 157 “Fair Value Measurements”. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, “Effective Date of FASB Statement No. 157, which provides a one year deferral of the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. In October 2008, the FASB issued FASB Staff Position No. SFAS 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active,” which clarifies the application of SFAS 157 for markets that are not active and illustrates key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. The Company adopted the provisions of SFAS No. 157 on a prospective basis for financial assets and liabilities which require that the Company determine the fair value of financial assets and liabilities using the fair value hierarchy established in SFAS No. 157. The adoption of SFAS No. 157 did not have a material impact on the Company’s results of operations and financial condition for the year ended December 31, 2008 however, this change may have an impact on the financial condition and the results of operations in future periods.

SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” Is effective January 1, 2008 for the Company. The fair value option established by SFAS 159 permits, but does not require, all entities to choose to measure eligible items at fair value at specified election dates. An entity would report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. The Company did not elect to use the option and as such SFAS 159 has not impacted the Company’s financial position and results of operations.

In June 2007, the Emerging Issues Task Force issued EITF Issue 07-03, “Accounting for Advance Payments for Goods or Services to Be Used in Future Research and Development,” or EITF No. 07-03. EITF No. 07-03 addresses the diversity which exists with respect to the accounting for the non-refundable portion of a payment made by a research and development entity for future research and development activities. Under EITF No. 07-03, an entity would defer and capitalize non-refundable advance payments made for research and development activities until the related goods are delivered or the related services are performed. EITF No. 07-03 is effective for fiscal years beginning after December 15, 2007 and interim periods within those years. Adoption of EITF No. 07-03 effective January 1, 2008 on a prospective basis has not resulted in any impact on to the Company’s financial statements.

In May 2008, the FASB issued SFAS No. 162 “The Hierarchy of Generally Accepted Accounting Principles” (“SFAS 162”). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. SFAS 162 is effective sixty days following the SEC’s approval of PCAOB amendments to AU Section 411, “The Meaning of ‘Present fairly in conformity with generally accepted accounting principles’ “ which occurred on September 16, 2008. The adoption of SFAS 162 did not have a material impact on the consolidated financial position, results of operations or cash flows.

Recent Accounting Pronouncements

In November 2007, the Emerging Issues Task Force issued EITF Issue 07-01, "Accounting for Collaborative Arrangements," or EITF No. 07-01. EITF No. 07-01 requires collaborators to present the results of activities for which they act as the principal on a gross basis and report any payments received from (made to) other collaborators based on other applicable GAAP or, in the absence of other applicable GAAP, based on analogy to authoritative accounting literature or a reasonable, rational, and consistently applied accounting policy election.

Further, EITF No. 07-01 clarified that the determination of whether transactions within a collaborative arrangement are part of a vendor-customer (or analogous) relationship subject to Issue 01-9, Accounting for Consideration Given by a Vendor to a Customer. EITF No. 07-01 is effective for fiscal years beginning after December 15, 2008. The Company does not expect that EITF 07-01 will have a material impact on the consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), "Business Combinations," or SFAS No. 141R. SFAS No. 141R will change the accounting for business combinations. Under SFAS No. 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141R will change the accounting treatment and disclosure for certain specific items in a business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company does not expect that SFAS No. 141R will have a material impact on the consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements — An Amendment of ARB No. 51," or SFAS No. 160. SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The Company does not expect that SFAS No. 160 will have a material impact on the consolidated financial position, results of operations or cash flows.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities." SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. It requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. In September 2008, the FASB issued FASB Staff Position ("FSP") FSP FAS 133-1 and FIN 45-4, "Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161". This FSP amends FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", to require disclosures by sellers of credit derivatives, including credit derivatives embedded in a hybrid instrument. This FSP also amends FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of indebtedness of Others", to require an additional disclosure about the current status of the payment/performance risk of a guarantee. Further, this FSP clarifies the Board's intent about the effective date of FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities". This statement is effective for financial statements issued for fiscal years beginning after November 15, 2008. The Company does not expect that these pronouncements will have a material impact on the consolidated financial position, results of operations or cash flows.

In April 2008, the FASB issued FASB Staff Position FAS 142-3, "Determination of Useful Life of Intangible Assets" (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FAS 142, "Goodwill and Other Intangible Assets." FSP 142-3 also requires expanded disclosure regarding the determination of intangible asset useful lives. FSP 142-3 is effective for fiscal years beginning after December 15, 2008. Earlier adoption is not permitted. We do not believe the adoption of FSP 142-3 will have a material impact on our consolidated financial statements.

In May 2008, the FASB issued FASB FSB Accounting Principles Board ("APB") Opinion No. 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSB APB 14-1"). The FSP will require cash settled convertible debt to be separated into debt and equity components at issuance and a value to be assigned to each. The value assigned to the debt component will be the estimated fair value, as of the issuance date, of a similar bond without the conversion feature. The difference between the bond cash proceeds and this estimated fair value will be recorded as a debt discount and amortized to interest expense over the life of the bond. FSP APB 14-1 will become effective January 1, 2009. The Company does not expect that FSB APB 14-1 will have a material impact on the consolidated financial position, results of operations or cash flows.

In June 2008, the FASB issued FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP EITF 03-6-1"). FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method as described in SFAS No. 128, "Earnings per Share." Under the guidance in FSP EITF 03-6-1, unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. All prior-period earnings per share amounts presented shall be adjusted retrospectively. The Company does not expect that FSP EITF 03-6-1 will have a material impact on the consolidated financial position, results of operations or cash flows.

In June 2008, the FASB ratified the consensus reached by the EITF on Issue No. 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock" ("EITF No. 07-5"). EITF No. 07-5 provides guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock. EITF No. 07-5 applies to any freestanding financial instrument or embedded feature that has all of the characteristics of a derivative or freestanding instrument that is potentially settled in an entity's own stock (with the exception of share-based payment awards within the scope of SFAS 123(R)). To meet the definition of "indexed to own stock," an instrument's contingent exercise provisions must not be based on (a) an observable market, other than the market for the issuer's stock (if applicable), or (b) an observable index, other than an index calculated or measured solely by reference to the issuer's own operations, and the variables that could affect the settlement amount must be inputs to the fair value of a "fixed-for-fixed" forward or option on equity shares. EITF No. 07-5 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company does not expect the adoption of EITF No. 07-5 to change the classification or measurement of its financial instruments.

3. FINANCIAL INSTRUMENTS AND RISK

For certain of the company's financial instruments including cash, amounts receivable, and accounts payable carrying values approximate fair value due to their short-term nature. The Company's cash equivalents and short-term investments are recorded at fair value.

Financial risk is the risk to the Company's results of operations that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates as well as credit risk associated with the financial stability of the issuers of the financial instruments. Foreign exchange rate risk arises as a portion of the Company's investments which finance operations and a portion of the Company's expenses are denominated in other than U.S. dollars.

The Company invests its excess cash in accordance with investment guidelines, which limit the credit exposure to any one financial institution or corporation other than securities issued by the U.S. government. The guidelines also specify that the financial instruments are issued by institutions with strong credit ratings. These securities generally mature within one year or less and in some cases are not collateralized. At December 31, 2008 the average days to maturity of the Company's portfolio of cash equivalents and marketable securities was 54 days. The Company does not use derivative instruments to hedge against any of these financial risks.

4. REVERSE TAKEOVER

The consolidated financial statements account for the Arrangement between Sonus and OncoGenex Technologies, whereby Sonus acquired all of the outstanding preferred shares, common shares and convertible debentures of OncoGenex Technologies, as a reverse takeover wherein OncoGenex Technologies is deemed to be the acquiring entity from an accounting perspective. The consolidated results of operations of the Company include the results of operations of OncoGenex Technologies for the full year ended December 31, 2008 and the results of OncoGenex Pharmaceuticals, Inc. following the completion of the Arrangement on August 21, 2008. The consolidated results of operations for years ended December 31, 2007 and 2006 include only the consolidated results of operations of OncoGenex Technologies and do not include historical results of Sonus.

On August 12, 2008, OncoGenex Technologies' stockholders approved the Arrangement described above and on August 19, 2008, Sonus stockholders approved the Arrangement, an one-for-eighteen reverse stock split of its common stock, and a reduction of Sonus' authorized capital from 75,000,000 common shares to 11,019,930 common shares. The reverse stock split occurred immediately prior to the closing of the Arrangement. Resulting fractional shares were eliminated. All information in the financial statements and the notes thereto relating to the number of shares, price per share, and per share amounts of common stock are presented on a post-split basis.

Under the purchase method of accounting, Sonus' outstanding shares of common stock were valued using the average closing price on Nasdaq of $5.04 for the two days prior through to the two days subsequent to the announcement of the Arrangement on May 27, 2008. There were 2,059,898 shares of common stock outstanding, as adjusted for the reverse stock split, on August 20, 2008, immediately prior to closing. The fair value of the Sonus outstanding stock options were determined using the Black-Scholes option pricing model with the following assumptions: stock price of $4.86, volatility of 57.67% to 89.48%, risk-free interest rate of 1.73% to 3.89%, and expected lives ranging from 0.05 to 4.79 years. The fair value of the Sonus outstanding warrants were determined using the Black-Scholes option pricing model with the following assumptions: stock price of $4.86, volatility of 58.71%, risk-free interest rate 3.89%, and expected lives ranging from 0.99 to 1.08 years.

The final purchase price is summarized as follows (in thousands):

Sonus common stock	$	10,385
Fair value of options and warrants assumed		71
Transaction costs of OncoGenex		807
Total purchase price	$	11,263

Under the purchase method of accounting, the total purchase price as shown in the table above is allocated to the Sonus net tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the date of the completion of the Arrangement. The final purchase price allocation is as follows (in thousands):

Cash	$	5,464
Marketable securities		14,808
Accounts receivable		6
Interest receivable		273
Other current assets		175
Furniture and equipment		1,186
Other long term assets		497
Intangible assets		280
Accounts payable		(35)
Accrued expenses excluding severance payable		(652)
Severance payable to employees as part of restructuring		(1,322)
Severance payable to senior executives		(1,440)
Excess facility loss		(2,083)
Negative goodwill		(5,894)
Total purchase price	$	11,263

In accordance with SFAS 141, "Business Combinations" any excess of fair value of acquired net assets over purchase price (negative goodwill) has been recognized as an extraordinary gain in the period the Arrangement was completed. The excess has been allocated as a pro rata reduction of the amounts that otherwise would have been assigned to the non-current acquired assets. Prior to allocation of the excess negative goodwill OncoGenex has reassessed whether all acquired assets and assumed liabilities have been identified and recognized and performed remeasurements to verify that the consideration paid, assets acquired, and liabilities assumed have been properly valued. The remaining excess has been recognized as an extraordinary gain. There was no other impact to other comprehensive income. Any subsequent adjustments to the extraordinary gain resulting from the changes to the purchase price allocation shall be recognized as an extraordinary item.

The final pro rata reduction of non-current and intangible assets acquired is as follows (in thousands):

Negative goodwill	$ (5,894)
Furniture and equipment	1,186
Intangible assets	280
Excess negative goodwill	$ (4,428)

Pro Forma Results of Operations

The results of operations the combined Company are reflected in the consolidated financial statements from the date of the completion of the Arrangement on August 21, 2008. The following table presents pro forma results of operations and gives effect to the business combination transaction as if it were consummated at the beginning of the period presented. The pro forma results of operations are not necessarily indicative of what would have occurred had the business combination been completed at the beginning of the retrospective periods or of the results that may occur in the future.

(in thousands except shareholder and per share amounts)	For the year ended December 31, 2008	For the year ended December 31, 2007
Revenue	$ —	$ 20,131
Net loss applicable to common shareholders	$ (28,102)	$ (19,977)
Net loss per share — basic and diluted	$ (15.36)	$ (168.16)
Weighted average shares	1,829,276	118,801

5. FAIR VALUE MEASUREMENTS

With the adoption of SFAS No. 157, beginning January 1, 2008, assets and liabilities recorded at fair value in the balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. For certain of the Company's financial instruments including cash and cash equivalents, amounts receivable, and accounts payable the carrying values approximate fair value due to their short-term nature.

SFAS No. 157 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with SFAS No. 157, these inputs are summarized in the three broad levels listed below:

- Level 1 — Quoted prices in active markets for identical securities;
- Level 2 — Other significant observable inputs that are observable through corroboration with market data (including quoted prices in active markets for similar securities);
- Level 3 — Significant unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability.

In determining the appropriate levels, the Company performed a detailed analysis of the assets and liabilities that are subject to SFAS No. 157. A description of the valuation techniques applied to the Company's marketable securities measured at fair value on a recurring basis follows.

Financial Instruments

U.S. Government and Agency Securities

U.S. Government Securities. U.S. government securities are valued using quoted market prices. Valuation adjustments are not applied. Accordingly, U.S. government securities are categorized in Level 1 of the fair value hierarchy.

U.S. Agency Securities. U.S. agency securities are comprised of two main categories consisting of callable and non-callable agency issued debt securities. Non-callable agency issued debt securities are generally valued using quoted market prices. Callable agency issued debt securities are valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. Actively traded non-callable agency issued debt securities are categorized in Level 1 of the fair value hierarchy. Callable agency issued debt securities are categorized in Level 2 of the fair value hierarchy.

Corporate and Other Debt

Corporate Bonds. The fair value of corporate bonds is estimated using recently executed transactions, market price quotations (where observable), bond spreads or credit default swap spreads adjusted for any basis difference between cash and derivative instruments. The spread data used are for the same maturity as the bond. If the spread data does not reference the issuer, then data that reference a comparable issuer are used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond or single name credit default swap spreads and recovery rates based on collateral values as significant inputs. Corporate bonds are generally categorized in Level 2 of the fair value hierarchy; in instances where prices, spreads or any of the other aforementioned key inputs are unobservable, they are categorized in Level 3 of the hierarchy.

The following table presents information about our assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2008, and indicates the fair value hierarchy of the valuation techniques we utilized to determine such fair value:

(in thousands)	Level 1	Level 2	Level 3	2008
Corporate debt securities	$ —	$ 3,792	—	3,792
US agency securities	—	1,009	—	1,009
Asset-backed securities	—	—	—	—
	$ —	$ 4,801	—	4,801

Marketable securities consist of the following:

(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
2008				
Corporate debt securities	$ 3,797	$ 2	$ (7)	$ 3,792
US agency securities	1,007	2	—	1,009
	$ 4,804	$ 4	$ (7)	$ 4,801
2007				
Corporate debt securities	$ —	$ —	$ —	$ —
US agency securities	504	1	—	505
	$ 504	$ 1	$ —	$ 505

There were no significant realized or unrealized gains or losses on the sales of marketable securities in 2008, 2007 or 2006. All of the marketable securities held as of December 31, 2008 had maturities of one year or less. The Company only invests in A (or equivalent) rated securities with maturities of one year or less. The Company does not believe that there are any other than temporary impairments related to its investment in marketable securities at December 31, 2008 given the quality of the investment portfolio, its short-term nature, and subsequent proceeds collected on sale of securities that reached maturity.

6. PROPERTY AND EQUIPMENT

(in thousands)	Cost	Accumulated Amortization	Net Book Value
	$	$	$
December 31 2008			
Computer equipment	166	152	14
Computer software	102	96	6
Furniture and fixtures	94	70	23
Leasehold improvements	38	38	—
	400	356	44
December 31 2007			
Computer equipment	204	173	31
Computer software	133	117	16
Furniture and fixtures	115	66	49
Leasehold improvements	52	49	3
	504	405	99

7. SEVERANCE CHARGES AND OTHER RESTRUCTURING ACTIVITIES

As a requirement for the closing of the Arrangement, Sonus terminated the employment of two senior executives. Severance payable at the date of the transaction was $1,439,000 and has been accounted for in accordance with EITF No. 95-3*, "Recognition of Liabilities in Connection with a Purchase Business Combination"* as part of the purchase price allocation (note 4). The severance payable was settled following the completion of the Arrangement and the amount owing at December 31, 2008 was nil.

On August 21, 2008, immediately following the completion of the Arrangement (note 4), the Company reduced workforce by approximately 49% in order to implement cost-savings measures to preserve cash while focusing on its highest potential product development programs. Severance payable at the date of the restructuring in connection with former employees of Sonus was $1,323,000 and has been accounted for in accordance with EITF No. 95-3*, "Recognition of Liabilities in Connection with a Purchase Business Combination"* as part of the purchase price allocation (note 4). The Company estimates that all severance liabilities relating to transaction-related workforce reductions will be paid out by October 2009, and the amount owing at December 31, 2008 was $137,000.

Prior to the Arrangement, Sonus entered into a non-cancellable lease arrangement for office space located in Bothell, Washington, which is considered to be in excess of the Company's current requirements. The final plan for this space has not yet been determined by management; however, the Company has recognized a restructuring charge of $1,722,000 in relation to the estimated fair value of the liability remaining at December 31, 2008 with respect to excess facilities. The liability is computed as the present value of the difference between the remaining lease payments due less the estimate of net sublease income and expenses and has been accounted for in accordance with EITF No. 95-3*, "Recognition of Liabilities in Connection with a Purchase Business Combination"* as part of the purchase price allocation (note 4). This represents the Company's best estimate of the fair value of the liability. Subsequent changes in the liability due to accretion, or changes in estimates of sublease assumptions, etc. will be recognized as adjustments to restructuring charges in future periods.

(in thousands)	Liability at August 21, 2008	Payments made	Amortization of excess lease facility	Remaining Liability at December 31, 2008
Executive severance	1,439	1,439	—	—
Employee severance	1,323	1,186	—	137
Excess lease facility	2,084	—	362	1,722

8. OTHER ASSETS

Other assets include deposits paid for office space in accordance with the terms of the operating lease agreements.

9. INCOME TAX

[a] The reconciliation of income tax attributable to operations computed at the statutory tax rate to income tax expense, using a statutory tax rate of 34% for the year ended December 31, 2008 and the statutory rate of 34.12% for the year ended December 31, 2007 is as follows:

(in thousands)	2008	2007	2006
Income taxes at statutory rates	(3,635)	(2,669)	(3,726)
Expenses (income) not deducted (included) for tax purposes	3,991	389	169
Effect of tax rate changes on deferred tax assets and liabilities	974	1,721	857
Reduction in benefit of operating losses	339	—	—
Foreign exchange effect on valuation allowance	2,244	(1,643)	97
Investment tax credits	(180)	—	—
Research and development tax credits	—	(96)	(68)
Change in valuation allowance	1,643	2,685	3,261
Reversal of pre transaction income	(5,310)	—	—
Part VI.I tax	(2,125)	676	667
Part VI.I tax deduction	—	(519)	(512)
Other	—	169	(70)
Income tax expense	(2,059)	713	675

[b] At December 31, 2008, the Company has investment tax credits of $268,000 [2007—$5,000] available to reduce future Canadian income taxes otherwise payable. The Company also has non-capital loss carry forwards for financial statement purposes of $25,623,000 [2007—$22,322,000] available to offset future taxable income in Canada and federal net operating loss carryforwards of $124,298,000 to offset future taxable income in the United States. To the extent that net operating loss carryforwards, when realized, relate to stock option deductions of approximately $4 million, the resulting benefit will be credited to stockholders' equity.

The initial public offering of common stock by the Company in 1995 caused an ownership change pursuant to applicable regulations in effect under the Internal Revenue Code of 1986. Therefore, the Company's use of losses incurred through the date of ownership change will be limited during the carryforward period and may result in the expiration of net operating loss carryforwards in the United States before utilization.

The investment tax credits and non-capital losses and net operating losses for income tax purposes expire as follows:

	Investment Tax Credits	Non-capital and Net Operating Losses
	$	$
	(In thousands)	
2009	—	2,265
2010	—	5,652
2011	2	47
2012	2	44
2013	1	3,422
2014	—	2,855
2015	199	—
2016	—	—
2017	—	—
2018	—	10,524
2019	—	37
2020	—	2,814
2021	—	220
2022	—	11,867
2023	—	10,757
2024	—	16,617
2025	—	7,830
2026	57	31,292
2027	—	26,780
2028	7	16,898
	268	149,921

In addition, the Company has unclaimed tax deductions of approximately $6,408,000 related to scientific research and experimental development expenditures available to carry forward indefinitely to reduce Canadian taxable income of future years. The Company also has research and development tax credits of $1,819,000 available to reduce future taxes payable in the United States. The research and development tax credits expire between 2009 and 2029.

[c] Significant components of the Company's deferred tax assets as of December 31 are shown below:

(in thousands)	2008	2007
	$	$
Deferred tax assets:		
Tax basis in excess of book value of assets	692	1,026
Non-capital loss carryforwards	48,923	4,547
Research and development deductions and credits	3,777	1,669
Part VI.1 tax deduction	—	1,511
Share issue costs	144	(5)
Stock options	1,560	—
Capital loss carryforward	268	72
Deferred rent	494	—
Total deferred tax assets	55,858	10,982
Valuation allowance	(55,858)	(10,982)

The potential income tax benefits relating to these deferred tax assets have not been recognized in the accounts as their realization did not meet the requirements of "more likely than not" under the liability method of tax allocation. Accordingly, a valuation allowance has been recorded and no deferred tax assets have been recognized as at December 31, 2008 and 2007. The change in valuation allowance is due to a decrease in deferred tax assets from OncoGenex Technologies Inc. and the addition of deferred tax assets from OncoGenex Pharmaceuticals, Inc.

[d] Under FIN 48, the benefit of an uncertain tax position that is more likely than not of being sustained upon audit by the relevant taxing authority must be recognized at the largest amount that is more likely than not to be sustained. No portion of the benefit of an uncertain tax position may be recognized if the position has less than a 50% likelihood of being sustained.

A reconciliation of the unrecognized tax benefits of uncertain tax positions for the year ended December 31, 2008 is as follows:

(in thousands)	$
Balance as of December 31, 2007	614
Additions based on the reverse takeover of Sonus	1,355
Additions based on tax positions related to the current year	342
Deductions based on tax positions related to the current year	(355)
Balance as of December 31, 2008	1,956

As of December 31, 2008, unrecognized benefits of approximately $1,956,000, if recognized, would affect the Company's effective tax rate.

The Company's accounting policy is to treat interest and penalties relating to unrecognized tax benefits as a component of income taxes. As of December 31, 2008 and December 31, 2007 the Company had no accrued interest and penalties related to income taxes.

The Company is subject to taxes in Canada and the U.S. until the applicable statute of limitations expire. Tax audits by their very nature are often complex and can require several years to complete.

Tax Jurisdiction	Years open to examination
Canada	2002 to 2008
US	2002 to 2008

10. CONVERTIBLE DEBENTURES

On September 19, 2007, OncoGenex Technologies issued $4,500,000 in convertible debentures to certain existing shareholders bearing interest at an average rate of 14.9% per annum and maturing on March 31, 2008. On March 6, 2008 the maturity date was extended to June 30, 2008 and on June 10, 2008 the maturity date was extended to September 30, 2008. The extensions did not have a material impact on the fair value of the debentures. The convertible debentures were collateralized by a general security agreement on all the assets of OncoGenex Technologies.

As at August 20, 2008, the OncoGenex Technologies convertible debenture outstanding balance of principal and accrued interest was $5,012,000. As part of the Arrangement (note 4), Sonus agreed to issue shares of common stock in exchange for the common stock, preferred shares and convertible debentures of OncoGenex Technologies. On October 28, 2008, the Company exercised its option to convert all the outstanding convertible debentures into preferred shares. They then exercised its option to convert to preferred shares into common shares. All common shares of OncoGenex Technologies were then held by the Company and have been eliminated on consolidation.

11. REDEEMABLE CONVERTIBLE PREFERRED SHARES

[a] Authorized

Unlimited number of Class A preferred voting shares, issuable in series, no par value

Unlimited number of Class B preferred voting shares, issuable in series, no par value

[b] Issued and outstanding shares

From December 2001 through October 2002, OncoGenex Technologies issued 848,805 Class A Series 1 and 2 Redeemable Convertible Preferred Shares for net proceeds of $2,488,000. From September 2003 through August 2005, the Company issued 8,945,448 Class B Series 1 and 2 Redeemable Convertible Preferred Shares for net proceeds of $25,729,000, consisting of cash of $24,231,000 and payment of collaboration expenses of $1,498,000.

The Class A preferred shares, Series 1 and Series 2, are retractable at the option of the holder behind the Class B preferred shares with such right becoming effective after August 10, 2010 and on not less than 120 days notice by holders of not less than 50% of the outstanding respective Class A preferred shares, Series 1 or Series 2, and provided that no Class B preferred shares, Series 1 and Series 2, are then outstanding.

The retraction price for the Class A preferred shares, Series 1 and Series 2, and the Class B preferred shares, Series 1 and Series 2 is equal to the issue price for such shares plus a preferred return adjustment (being an amount required to generate an 8% annual cumulative return for the holder of such shares). In the event that holders of Class A and Class B preferred shares are paid the cumulative preferred return adjustment referred to above, the OncoGenex Technologies would become liable for payment of taxes under Part VI.1 of the Income Tax Act (Canada) which is calculated at 25% of the amount paid in excess of CAD $500,000. Consequently, OncoGenex Technologies recorded an income tax expense to reflect the potential tax liability in the event that a preferred return adjustment is required to be paid out.

As at August 20, 2008, the OncoGenex Technologies Class A balance of principal and accretion was $4,634,000 and the Class B balance of principal and accretion was $34,711,000, while tax payable in relation to the potential Part VI.1 tax was $2,628,000. As part of the Arrangement (note 4), Sonus agreed to issue shares of common stock in exchange for all the outstanding securities of OncoGenex Technologies, common stock, preferred shares and convertible debentures of OncoGenex Technologies. On September 19, 2008, all preferred shares of OncoGenex Technologies then held by the Company were converted into common shares of OncoGenex Technologies and eliminated on consolidation. As there are no longer any preferred shares outstanding of OncoGenex Technologies, there is no longer a risk that the Company will have to pay Part VI.1 tax; therefore, the payable has been eliminated, resulting in a non-cash income tax expense recovery of $2,628,000.

12. COMMON STOCK

[a] Authorized

11,019,930 authorized common voting shares, par value of $0.001

[b] Issued and outstanding shares

As at August 20, 2008, there were 118,801 common shares of OncoGenex Technologies (on a post-conversion basis) and 2,059,898 shares of common stock of Sonus outstanding. As part of the arrangement (note 4), Sonus agreed to issue 3,449,393 shares of common stock, after accounting for the elimination of resulting fractional shares, in exchange for all the common shares, preferred shares and convertible debentures of OncoGenex Technologies. As a result, all common shares of OncoGenex Technologies are now held by the Company and have been eliminated on consolidation.

During the year ended December 31, 2008, the Company issued 34,601 common shares upon exercise of stock options (year ended December 31, 2007 — nil, year ended December 31, 2006 — nil). The Company issues new shares to satisfy stock option exercises.

Escrow shares

As part of the Arrangement (note 4), 1,388,875 of the shares of common stock issuable to the holders of OncoGenex Technologies securities were placed into escrow at the closing of the Arrangement and were to be released from escrow upon the achievement of certain agreed-upon milestones relating to OncoGenex product candidates OGX-011, OGX-427 and OGX-225 and the future price of our common stock. The milestone shares were issued and placed into escrow at the closing of the Arrangement.

On July 24, 2008, the Company announced the completion of a Special Protocol Assessment on the patient population, trial design, trial endpoints, statistical analyses and size of a registration clinical trial with OGX-011. The achievement of this milestone resulted in the release of 25% (347,237) of the shares held in escrow.

On October 7, 2008 the Company concluded a meeting with the U.S. Food and Drug Administration (FDA), at which the FDA agreed that “durable pain palliation is an acceptable and desirable trial endpoint” to support product marketing approval for OGX-011 as a treatment for CRPC. In addition, OncoGenex reported that the FDA provided guidance on the submitted protocol including recommendations on trial endpoints, the appropriate patient population, entry criteria and trial conduct. Based on the results of this meeting, the Board of Directors of OncoGenex approved the release of 25% (347,207) of the shares held in escrow. The escrow agreements provided for the release of 25% of the shares held in escrow following the occurrence of a meeting with the FDA to confirm that pain palliation is an appropriate primary endpoint to support a product marketing approval in prostate cancer.

On December 3, 2008, the Company announced positive survival results from a randomized Phase 2 clinical trial of OGX-011 in combination with docetaxel and prednisone (“the OGX-011 arm”) compared to docetaxel and prednisone alone (“the control arm”) for first-line treatment of metastatic castrate resistant prostate cancer. The OGX-011 arm demonstrated a 10.6 month median overall survival advantage over the median survival observed in the control arm. The escrow agreements provided for the release of 50% (694,431) of the original number of shares held in escrow following the demonstration of at least a two-month improvement in survival in the OGX-011 arm as compared to the control arm. Based on the median overall survival advantage of the OGX-011 arm, the Board of Directors of OncoGenex Pharmaceuticals has approved the release of all of the remaining shares held in escrow pursuant to agreements related to the Arrangement.

As at December 31, 2008 all milestone shares have been released from escrow.

[c] Stock options

OncoGenex Technologies Inc. Stock Option Plan

In September 2003, the Board of Directors of OncoGenex Technologies approved an amended stock option plan (the “OncoGenex Technologies Plan”), which was an amendment of the stock option plan first established in October 2001. The OncoGenex Technologies Plan was subsequently approved by shareholders on August 12, 2008. Under this plan, the Company may grant options to purchase common shares in the Company to employees, directors, officers, and consultants of the Company. The exercise price of the options is determined by the Board but generally will be at least equal to the fair value of the common shares at the grant date.

The options vest in accordance with terms as determined by the Board, typically over three or four years for options issued to employees. The expiry date for each option is set by the Board with a maximum expiry date of seven years and a minimum expiry of five years from the date of grant.

On August 21, 2008, under the Arrangement (note 4), each option to purchase shares of OncoGenex Technologies common stock (“OncoGenex Technologies Option”) was exchanged for an option to purchase shares of OncoGenex common stock. Specifically, each OncoGenex Technologies Option was exchanged for an option to purchase the amount of shares of common stock of OncoGenex equal to the product of (a) the share exchange ratio of the Arrangement (“Share Exchange Ratio”), as adjusted by the one-for-eighteen reverse stock split, (b) multiplied by the number of OncoGenex Technologies shares of common stock subject to each OncoGenex Technologies Option. The exercise price of each OncoGenex Technologies Option was also adjusted to an amount equal to the product of (x) the exercise price per share of each OncoGenex Technologies Option immediately prior to the effective time of the arrangement, (y) divided by the Share Exchange Ratio, as adjusted by the one-for-eighteen reverse stock split, (z) multiplied by the noon buying rate of exchange for one U.S. dollar in Canadian dollars as published by the Federal Reserve Bank of New York on the date immediately prior to the Arrangement.

Sonus Option Plans

Prior to the Arrangement, Sonus had options outstanding under a number of share option plans that had been approved by shareholders as follows: (a) the Incentive Stock Option, Nonqualified Stock Option and Restricted Stock Purchase Plan — 1991 ("1991 Plan’’), (b) the 1999 Nonqualified Stock Incentive Plan ("1999 Plan’’), (c) the 2000 Stock Incentive Plan ("2000 Plan’’), and (d) the 2007 Performance Incentive Plan (“2007 Plan”) (collectively referred to as the "Sonus Plans’’).

Pursuant to certain change of control provisions in the 1999 Plan and the 2000 Plan, all outstanding options granted under those plans were cancelled immediately prior to the Arrangement. Pursuant to the change of control provision in the 2007 Plan, vesting of options granted under the 2007 Plan was accelerated and all outstanding options granted under that plan became fully vested immediately prior to the Arrangement. No changes were made to the 1991 Plan. All outstanding options issued under the 1991 Plan were fully vested prior to the Arrangement.

All outstanding options to purchase common shares under the Sonus Plans have been adjusted to reflect the one-for-eighteen reverse stock split. Because this modification was designed to equalize the fair value of an award before and after an equity restructuring, no incremental compensation cost is recognized.

SFAS 123R

The Company recognizes expense related to the fair value of our stock-based compensation awards using the provisions of SFAS No. 123R. The Company uses the Black-Scholes option pricing model as the most appropriate fair value method for its awards and recognizes compensation expense for stock options on a straight-line basis over the requisite service period. In valuing its options using the Black-Scholes option pricing model, the Company makes assumptions about risk-free interest rates, dividend yields, volatility and weighted average expected lives, including estimated forfeiture rates of the options.

The expected life was calculated based on the simplified method as permitted by the SEC's Staff Accounting Bulletin 110,*Share-Based Payment.* The Company considers the use of the simplified method appropriate because of the lack of sufficient historical exercise data following the reverse takeover of Sonus. The computation of expected volatility was based on the historical volatility of comparable companies from a representative peer group selected based on industry and market capitalization. The risk-free interest rate was based on a U.S. Treasury instrument whose term is consistent with the expected life of the stock options. In addition to the assumptions above, as required under SFAS 123R, management made an estimate of expected forfeitures and is recognizing compensation costs only for those equity awards expected to vest. Forfeiture rates are estimated using historical actual forfeiture rate that resulted over the estimated life of the option grant for options granted as of the beginning of the forfeiture measurement period. These rates are adjusted on a quarterly basis and any change in compensation expense is recognized in the period of the change. The Company has never paid or declared dividends on our common stock and do not expect to pay cash dividends in the foreseeable future.

The estimated fair value of stock options granted in the respective periods was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	Years ended December 31,		
	2008	**2007**	**2006**
Risk-free interest rates	1.71%	4.63%	4.09%
Expected dividend yield	0%	0%	0%
Expected life	5.2 years	5 years	5 years
Expected volatility	77%	100%	100%

The weighted average fair value of stock options granted during the year ended December 31, 2008 was $2.93 per share (December 31, 2007 — $14.50 and December 31, 2006 — $3.13).

Total stock-based compensation expense included in the Company's statements of operations for the years ended December 31, 2008, 2007 and 2006 was $174,000, $263,000 and $182,000 respectively.

The results for the periods set forth below included share-based compensation expense in the following expense categories of the consolidated statements of operations:

(in thousands)	Years ended December 31, 2008	2007	2006
	$	$	$
Research and development	65	93	49
General and administrative	109	170	133
Total share-based compensation	174	263	182

Options vest in accordance with terms as determined by the Board, typically over three or four years for employee grants and one year for Board of Director option grants. The expiry date for each option is set by the Board with, which is typically seven years. The exercise price of the options is determined by the Board but generally will be at least equal to the fair value of the share at the grant date. As at December 31, 2008 the Company has reserved 894,054 common shares for issuance of stock options to employees, directors, officers and consultants of the Company, under its various equity compensation plans, of which 170,911 [December 31, 2007 — 92,279] are available for future issuance.

Stock option transactions and the number of stock options outstanding, after giving effect to the adjustments made to the OncoGenex Technologies Plan options and Sonus Plans options described above, are summarized below:

	Number of Optioned Common Shares	Weighted Average Exercise Price
	#	$
Balance, December 31, 2005	**290,226**	**3.94**
Option grants	25,572	4.11
Option forfeited	(5,879)	3.89
Balance, December 31, 2006	**309,919**	**3.95**
Option grants	15,984	18.93
Option forfeited	(1,672)	18.93
Balance, December 31, 2007	**324,231**	**4.61**
Additions from Sonus Option Plans	98,249	27.89
Option grants	397,150	2.93
Option exercises	(34,601)	3.57
Option forfeited	(61,886)	28.08
Balance, December 31, 2008	**723,143**	**4.88**

The following table summarizes information about stock options outstanding at December 31, 2008:

Exercise Prices	Options Outstanding Number of Shares Outstanding	Weighted-Average Remaining Contractual Life (in years)	Options Exercisable Number of Shares Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)
2.69	85,000	6.8	—	—	—
3.00	312,150	7.0	—	—	—
3.89	115,012	1.8	115,012	3.89	1.8
4.11	154,697	3.8	149,226	4.11	3.8
6.60	36,355	7.3	36,355	6.6	7.3
18.94	12,169	5.5	9,992	18.94	5.5
65.25	111	0.2	111	0.2	0.2
68.25	555	2.8	555	2.8	2.8
108.00	7,094	1.1	7,094	1.1	1.1
	723,143	6.64	318,345	3.18	3.47

As at December 31, 2008 and December 31, 2007 the total unrecognized compensation expense related to stock options granted is $740,000 and $195,000 respectively, which is expected to be recognized into expense over a period of approximately 4 years.

The estimated grant date fair value of stock options vested during the years ended December 31, 2008, 2007, and 2006 was $160,000, $189,000 and $191,000 respectively.

The aggregate intrinsic value of options exercised was calculated as the difference between the exercise price of the stock options and the fair value of the underlying common stock as of the date of exercise. The aggregate intrinsic value of options exercised for the years ended December 31, 2008 was $39,000. No options were exercised in 2007 or 2006. At December 31, 2008, the aggregate intrinsic value of the outstanding options was $nil and the aggregate intrinsic value of the exercisable options was $nil.

[d] Stock Warrants

At December 31, 2008, there were warrants outstanding to purchase 183,385 shares of common stock at exercise prices ranging from $74.70 to $79.56 per share and expiration dates ranging from August 2010 to October 2010.

[e] Sonus Employee Stock Purchase Plan

As at December 31, 2008, the Company had an employee stock purchase plan whereby employees were permitted to contribute up to 15% of their compensation to purchase shares of the Company's common stock at 85% of the stock's share price at the lower of the beginning or end of each six-month offering period. Shares purchased under the plan were 222, 2,600 and 757 in 2008, 2007 and 2006, respectively. The plan was terminated subsequent to December 31, 2008.

[f] Shareholder Rights Plan

The Company has a Shareholder Rights Plan which was adopted in July 1996 and subsequently amended in July 2002, October 2005 and August 2006 (the "Rights Plan"). Under the Plan the Company's Board of Directors declared a dividend of one Preferred Stock Purchase Right ("Right") for each outstanding common share of the Company. Subject to the Rights Plan, each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock at a exercise price of $140, subject to adjustment. These Rights provide the holders with the right to purchase, in the event a person or group acquires 15% or more of the Company's common stock, additional shares of the Company's common stock having a market value equal to two times the exercise price of the Right. Pursuant to the Rights Plan, the one-for-eighteen reverse stock split caused a proportionate adjustment of the number of Rights associated with each share of common stock. Currently, eighteen (18) Rights are associated with each share of common stock.

[g] 401(k) Plan

The Company maintains a 401(k) plan in which it provided a specified percentage match on employee contributions. Following the Arrangement, the Board of Directors of OncoGenex amended and restated the 401(k) plan whereas securities of the Company are no longer offered as an investment option. This amendment prohibits the inclusion of OncoGenex shares in the 401(k) plan, as well as any match of Company shares to employee contributions. No shares of the Company were issued subsequent to the Arrangement, and as such no related expense was incurred.

[h] Loss per common share

Weighted average common shares outstanding for prior periods have been restated to reflect the change in capital structure resulting from the transaction with Sonus. The following table presents the computation of basic and diluted net loss per share:

	Years ended December 31,		
(in thousands except shares and per share amounts)	2008	2007	2006
Numerator			
Income (loss) attributable to common shareholders as reported	$ (6,177)	$ (11,480)	$ (14,198)
Denominator			
Weighted average number of common shares outstanding	1,829,276	118,801	118,801
Basic and diluted income (loss) per common share	$ **(3.38)**	$ **(96.63)**	$ **(119.51)**
Earnings per share associated with $4,428 extraordinary gain	$ 2.42		
Basic and diluted income (loss) per common share excluding extraordinary gain	$ **(5.80)**	$ **(96.63)**	$ **(119.51)**

As of December 31, 2008, 2007 and 2006 a total of 906,528, 324,231 and 309,919 options and warrants, respectively, have not been included in the calculation of potential common shares as their effect on diluted per share amounts would have been anti-dilutive.

13. RELATED PARTY TRANSACTIONS

Upon incorporation of OncoGenex Technologies, a former director assigned certain intellectual property to the Company in exchange for 178,564 common shares (820,000 OncoGenex Technologies shares). These common shares were recorded at a nominal amount representing the director's original cost of the intellectual property.

The Company incurred consulting fees of $163,000, $123,000, and $132,000 for the years ended December 31, 2008, 2007, and 2006, respectively, payable to a former director of the Company. No amounts were included in accounts payable and accrued liabilities as at December 31, 2008 and 2007. All transactions were recorded at their exchange amounts.

14. COMMITMENTS AND CONTINGENCIES

Isis Pharmaceuticals Inc. and University of British Columbia

Pursuant to license agreements the Company has with the University of British Columbia ("UBC") and Isis Pharmaceuticals Inc., the Company is obligated to pay royalties on future product sales and milestone payments of up to $9.9 million upon the achievement of specified product development milestones. In addition, the Company is obligated to pay to UBC certain patent costs and annual license maintenance fees for the extent of the patent life of CAD $8,000 per year.

The UBC agreements have effective dates ranging from November 1, 2001 to April 5, 2005 and each agreement expires upon the later of 20 years from its effective date or the expiry of the last patent licensed thereunder, unless otherwise terminated.

Unless otherwise terminated, the Isis agreements for OGX-011 and OGX-427 will continue for each product until the later of 10 years after the date of the first commercial product sale, or the expiration of the last to expire of any patents required to be licensed in order to use or sell the product, unless OncoGenex Technologies abandons either OGX-011 or OGX-427 and Isis does not elect to unilaterally continue development. The Isis agreement for OGX-225 will continue into perpetuity unless OncoGenex Technologies abandons the product and Isis does not elect to unilaterally continue development.

OncoGenex has also committed to purchase $1,356,000 of OGX-011 drug compound from Isis to be used in planned OGX-011 phase 3 clinical trials. The timing of the purchase has yet to be determined.

Bayer HealthCare LLC

On August 7, 2008, Sonus completed an exclusive in-licensing agreement with Bayer HealthCare LLC for the right to develop, commercialize or sublicense a family of compounds known as caspase activators presently in preclinical research. Under terms of the agreement, Sonus was granted exclusive rights to develop two core compounds for all prophylactic and therapeutic uses in humans. Additionally, Sonus was granted rights to all other non-core compounds covered under the patents for use in oncology.

Under the terms of the agreement, Bayer received an upfront license fee of $450,000. OncoGenex will make annual payments to Bayer on the anniversary date ("Anniversary Payments"), with an initial payment of $100,000. The payments will increase by $25,000 each year until the initiation of the first phase 3 clinical trial, at which point the Anniversary Payments reset to $100,000 each year and increase by $25,000 until the Company achieves either the first New Drug Application filing in the United States or the European Union. OncoGenex is obligated to pay royalties ranging from 3.5% to 7.5% of net future product sales and aggregate payments of up to $14,000,000 for clinical development and regulatory milestones. No milestone payments are triggered prior to the initiation of a phase 3 clinical trial. OncoGenex has the option to terminate this contract upon 60 days written notice to Bayer.

Lease Arrangements

The Company has an operating lease agreement for office space in Vancouver, Canada, which expires in September 2009, with an option for the Company to terminate the lease at any point after September 2007, subject to a declining termination fee which is limited to a maximum of $34,000, and with an option to renew through 2014 at the then fair market value.

Future minimum annual lease payments under the Vancouver lease are as follows:

	$ (in thousands)
2009	111
Total	111

In November 2006, prior to the Arrangement (note 4), Sonus entered into a non-cancellable operating lease agreement for office space in Bothell, Washington, expiring in 2017 and office equipment under two non-cancellable operating leases which expire in 2009 and 2010. In connection with the new lease, Sonus was required to provide a cash security deposit of approximately $497,000, which is included in Other Long Term Assets. In addition, the lease stipulates the Company must issue a standby letter of credit for approximately $500,000 which is expected to be issued during 2009. The Company is currently in the process of evaluating opportunities to exit or sublet portions of the leased space and has recorded a liability in the excess facilities lease charge of $1,721,961 as at December 31, 2008 (note 7).

Consolidated rent expense for years ended December 31, 2008, 2007, and 2006 was $801,000, $220,000, and $177,000 respectively.

If the Company is unable to exit or sublet portions of this leased space, the future minimum annual lease payments are as follows:

	$ (in thousands)
2009	1,982
2010	1,997
2011	2,055
2012	2,117
2013	2,180
remainder	9,396
Total	19,727

Guarantees and Indemnifications

In November 2002 the FASB issued FASB Interpretation No. 45, ("FIN 45") Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligations it assumes under that guarantee.

OncoGenex indemnifies its officers and directors for certain events or occurrences, subject to certain limits, while the officer or director is or was serving at our request in such capacity. The term of the indemnification period is equal to the officer's or director's lifetime.

The maximum amount of potential future indemnification is unlimited; however, we have obtained director and officer insurance that limits our exposure and may enable it to recover a portion of any future amounts paid. We believe that the fair value of these indemnification obligations is minimal. Accordingly, we have not recognized any liabilities relating to these obligations as of December 31, 2008.

We have certain agreements with certain organizations with which we do business that contain indemnification provisions pursuant to which we typically agree to indemnify the party against certain types of third-party claims. We accrue for known indemnification issues when a loss is probable and can be reasonably estimated. There were no accruals for or expenses related to indemnification issues for any period presented.

15. COMPREHENSIVE INCOME (LOSS)

(in thousands)	Year ended December 31, 2008	2007
	$	$
Loss for the period	(4,204)	(8,536)
Unrealized gain (loss) on cash equivalents and marketable securities	—	3
Unrealized gain (loss) on foreign exchange	(3)	557
	(4,207)	(7,976)

16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Quarter Ended			
	Dec. 31	Sept. 30	Jun. 30	Mar. 31
	(in thousands, except per share amounts)			
2008				
Research and development	$ 4,198	$ 1,639	$ 1,108	$ 874
General and administrative	$ 1,050	$ 1,024	$ 646	$ 573
Total expenses	$ 5,248	$ 2,663	$ 1,754	$ 1,447
Other income (expense)	$ 334	$ 297	$ (213)	$ 4
Tax expense (recovery)	$ 41	$ (2,515)	$ 201	$ 214
Redeemable preferred share accretion	$ —	$ 417	$ 780	$ 776
Extraordinary gain	$ —	$ 4,428	$ —	$ —
Net loss (income) attributable to common shareholders (loss)	$ 4,955	$ (4,160)	$ 2,949	$ 2,433
Net income (loss) per share*:				
Basic and diluted	$ (0.99)	$ 2.02	$ (24.81)	$ (20.48)
2007				
Research and development	$ 1,060	$ 1,094	$ 862	$ 1,119
General and administrative	$ 831	$ 609	$ 738	$ 1,362
Total expenses	$ 1,891	$ 1,703	$ 1,600	$ 2,481
Other income (expense)	$ (192)	$ (27)	$ (69)	$ 140
Tax expense (recovery)	$ 140	$ 200	$ 200	$ 173
Redeemable preferred share accretion	$ 788	$ 735	$ 741	$ 680
Net loss (income) attributable to common shareholders (loss)	$ 3,011	$ 2,665	$ 2,610	$ 3,194
Net income (loss) per share*:				
Basic and diluted	$ (25.34)	$ (22.43)	$ (21.97)	$ (26.89)

* Quarterly EPS may not add to annual figure due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that material information required to be disclosed in the Company's periodic reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

During the fourth quarter the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the chief executive officer and the chief financial officer, of the effectiveness of the design and operation of the disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective, as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

As a result of the Arrangement, the Company has inherited two separate systems of internal control over financial reporting, the system adopted by Sonus and the system adopted by OncoGenex Technologies, which differ in certain respects, none of which the Company's believes to be material. Since the completion of the Arrangement, the Company has undergone a thorough assessment of each company's internal control over financial reporting. Pending the completion of such assessment, the Company has maintained certain separate procedures and internal controls for each company.

The Company has not made any changes to our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

The management of OncoGenex Pharmaceuticals, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2008, management assessed the effectiveness of the Company's internal control over financial reporting based on the framework established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management has determined that the Company's internal control over financial reporting was effective as of December 31, 2008.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This Annual Report on Form 10-K does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required hereunder is incorporated by reference from our definitive Proxy Statement to be filed within 120 days of December 31, 2008 and delivered to stockholders in connection with our 2009 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required hereunder is incorporated by reference from our definitive Proxy Statement to be filed within 120 days of December 31, 2008 and delivered to stockholders in connection with our 2009 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding our equity compensation plans as of December 31, 2008:

	(a)	(b)	(c)
Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights**	**Weighted-average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)**
Equity compensation plans approved by security holders	692,010(1)	$ 4.97(1)	170,911(1)
Equity compensation plans not approved by security holders(2)	26,778	2.69	0
Total	723,143	$ 4.88	170,911

(1) As at December 31, 2008, the Company maintained the following equity compensation plans, which were adopted by Sonus prior to the Arrangement: (a) the Incentive Stock Option, Nonqualified Stock Option and Restricted Stock Purchase Plan — 1991 ("1991 Plan"), (b) the 1999 Nonqualified Stock Incentive Plan ("1999 Plan"), (c) the 2000 Stock Incentive Plan ("2000 Plan"), and (d) the 2007 Performance Incentive Plan ("2007 Plan") (collectively referred to as the "Sonus Plans"). In connection with the Arrangement, the Company assumed the OncoGenex Technologies Amended and Restated Stock Option Plan (the "OncoGenex Technologies Plan") and all of the issued and outstanding options thereunder (the "Assumed Options") pursuant to an assumption, amending and confirmation agreement dated August 21, 2008 between the Company and OncoGenex Technologies. The total option pool assumed under the OncoGenex Technologies Plan was 414,973 common shares, of which 376,778 common shares are issuable pursuant to Assumed Options exercisable as of December 31, 2008 having a weighted-average exercise price of $4.25. As of December 31, 2008, 3,330 common shares remain available for grant under the OncoGenex Technologies Plan.

(2) Our 1999 Nonqualified Stock Incentive Plan (the "1999 Plan") is a broad-based plan for which shareholder approval was not required or obtained. On February 11, 2009, the 1999 Plan terminated in accordance with its terms. All stock options outstanding as of such time will continue in effect in accordance with their respective terms. Stock options granted under the 1999 Plan were generally granted with an exercise price equal to fair market value on the date of grant.

The remaining information required hereunder is incorporated by reference from our definitive Proxy Statement to be filed within 120 days of December 31, 2008 and delivered to stockholders in connection with its 2009 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required hereunder is incorporated by reference from our definitive Proxy Statement to be filed within 120 days of December 31, 2008 and delivered to stockholders in connection with its 2009 Annual Meeting of Stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required hereunder is incorporated by reference from our definitive Proxy Statement to be filed within 120 days of December 31, 2008 and delivered to stockholders in connection with its 2009 Annual Meeting of Stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)

(1) Financial Statements

(2)

All schedules are omitted because they are not required or the required information is included in the financial statements or notes thereto.

(3)

Exhibit Number	Description
2.1(1)	Arrangement Agreement between the Company and OncoGenex Technologies Inc. dated May 27, 2008†
2.2(2)	First Amendment to Arrangement Agreement between the Company and OncoGenex Technologies Inc. dated August 11, 2008
2.3(2)	Second Amendment to Arrangement Agreement between the Company and OncoGenex Technologies Inc. dated August 15, 2008
3.1(3)	Amended and Restated Certificate of Incorporation (As Amended Through October 17, 1995)
3.2(4)	Certificate of Amendment to Certificate of Incorporation filed on May 6, 1999
3.3(5)	Certificate of Correction filed on March 9, 2009 to Certificate of Amendment filed on May 6, 1999
3.4	Certificate of Amendment to Certificate of Incorporation filed on May 7, 2004
3.5(5)	Certificate of Correction filed on March 9, 2009 to Certificate of Amendment filed on May 7, 2004
3.6(2)	Certificate of Amendment to Certificate of Incorporation filed on August 20, 2008
3.7(6)	Third Amended and Restated Bylaws of Oncogenex Pharmaceuticals, Inc.
4.1(2)	Specimen Certificate of Common Stock
4.2(7)	Amended and Restated Rights Agreement dated as of July 24, 2002 between the Company and U.S. Stock Transfer Corporation
4.3(8)	First Amendment to Amended and Restated Rights Agreement dated as of October 17, 2005 between the Company and U.S. Stock Transfer Corporation
4.4(9)	Second Amendment to Amended and Restated Rights Agreement dated as of August 10, 2006 between the Company and U.S. Stock Transfer Corporation
4.5(10)	Third Amendment to Amended and Restated Rights Agreement dated May 27, 2008 between the Company and Computershare Trust Company, N.A.
4.6(1)	Form of Escrow Agreement between the Company, Computershare Trust Company of Canada and former shareholders and debentureholders of OncoGenex Technologies Inc.
4.7(1)	Form of OncoGenex Voting Agreement
4.8(1)	Form of Sonus Voting Agreement
10.1(11)	Sonus Pharmaceuticals, Inc. Incentive Stock Option, Nonqualified Stock Option and Restricted Stock Purchase Plan — 1991 (the “1991 Plan”), as amended
10.2(11)	Form of Incentive Option Agreement (pertaining to the 1991 Plan)
10.3(11)	Form of Sonus Pharmaceuticals, Inc. Nonqualified Stock Option Agreement under the 1991 Plan
10.4(12)	Sonus Pharmaceuticals, Inc. 1999 Nonqualified Stock Incentive Plan (the “1999 Plan”)
10.5(12)	Form of Sonus Pharmaceuticals, Inc. Nonqualified Stock Option Agreement under the 1999 Plan
10.6(12)	Form of Sonus Pharmaceuticals, Inc. Restricted Stock Purchase Agreement under the 1999 Plan
10.7(13)	Sonus Pharmaceuticals, Inc. 2000 Stock Incentive Plan (the “2000 Plan”)
10.8(14)	First Amendment to Sonus Pharmaceuticals, Inc. 2000 Plan
10.9(13)	Form of Sonus Pharmaceuticals, Inc. Stock Option Agreement (pertaining to the 2000 Plan)

Exhibit Number	Description
10.10(15)	Sonus Pharmaceuticals, Inc. 2007 Performance Incentive Plan (the "2007 Plan")
10.11(16)	Form of Sonus Pharmaceuticals, Inc. Stock Option Agreement (pertaining to the 2007 Plan)
10.12(16)	Form of Sonus Pharmaceuticals, Inc. Restricted Stock Purchase Agreement under the 2007 Plan
10.13(17)	OncoGenex Technologies Inc. Amended and Restated Stock Option Plan
10.14(18)	Stock Option Assumption, Amending and Confirmation Agreement dated as of August 21, 2008 between the Company and OncoGenex Technologies Inc.
10.15(19)	Sonus Pharmaceuticals, Inc. 2006 Employee Stock Purchase Plan
10.16(20)	Sonus Pharmaceuticals, Inc. Compensation Policy
10.17(20)	Sonus Pharmaceuticals, Inc. Executive Compensation Program
10.18(11)	Form of Indemnification Agreement for Officers and Directors of the Company
10.19(17)	Form of Indemnification Agreement between OncoGenex Technologies Inc. and each of Scott Cormack, Stephen Anderson and Cindy Jacobs
10.20(17)	Form of Indemnification Agreement between OncoGenex Technologies Inc. and Neil Clendeninn
10.21(21)	Severance/Change in Control Agreement dated January 11, 2008 between the Company and Michael Martino
10.22(2)	Executive Termination Agreement and General Release dated August 21, 2008 between the Company and Michael Martino
10.23(21)	Severance/Change in Control Agreement dated January 11, 2008 between the Company and Alan Fuhrman
10.24(2)	Executive Termination Agreement and General Release dated August 21, 2008 between the Company and Alan Fuhrman
10.25(17)	Employment Agreement between OncoGenex Technologies Inc. and Scott Cormack dated as of December 21, 2001, and Employment Amending Agreement dated as of August 10, 2005
10.26(22)	Employment Agreement between OncoGenex Technologies Inc. and Stephen Anderson dated as of January 9, 2006*
10.27(2)	Employment Amending Agreement dated June 28, 2007 between OncoGenex Technologies Inc. and Stephen Anderson
10.28(22)	Employment Agreement between OncoGenex, Inc. and Cindy Jacobs dated as of September 12, 2005*
10.29(23)	Securities Purchase Agreement dated as of August 15, 2005 by and among the Company and the investors named therein, together with their permitted transferees ("Securities Purchase Agreement")
10.30(23)	Form of Purchase Warrant related to the Securities Purchase Agreement
10.31(24)	Form of Purchase Warrant issued to Schering AG
10.32(23)	Registration Rights Agreement dated as of August 15, 2005 by and among the Company and the investors named therein
10.33(25)	Lease by and between BMR-217th Place LLC and the Company dated as of November 21, 2006
10.34(26)	First Amendment to Lease by and between BMR-217th Place LLC and the Company dated as of August 17, 2007

Exhibit Number	Description
10.35(27)	Second Amendment to Lease by and between BMR-217th Place LLC and the Company dated as of January 28, 2008
10.36	Amended and Restated License Agreement effective as of July 2, 2008 by and between OncoGenex Technologies Inc. and Isis Pharmaceuticals, Inc. (OGX-011)*
10.37(22)	License Agreement between OncoGenex Technologies Inc. and the University of British Columbia effective as of November 1, 2001, and Amending Agreement dated as of August 30, 2006 (OGX-011)*
10.38(2)	Second Amending Agreement and Consent as of August 7, 2008 between The University of British Columbia and OncoGenex Technologies Inc. (OGX-011)
10.39(22)	Collaboration and License Agreement between OncoGenex Technologies Inc. and Isis Pharmaceuticals, Inc. effective as of January 5, 2005 (OGX-427)*
10.40(22)	License Agreement between OncoGenex Technologies Inc. and the University of British Columbia effective as of April 5, 2005, and Amending Agreement dated as of August 30, 2006 (OGX-427)*
10.41(2)	Second Amending Agreement as of August 7, 2008 between The University of British Columbia and OncoGenex Technologies Inc. (OGX-427)
16.1(28)	Letter from Ernst & Young LLP, Independent Registered Public Accounting Firm, to the Securities and Exchange Commission dated August 26, 2008, regarding change in certifying Accountant
21.1	Subsidiaries of the Registrant
23.1	Consent of Ernst & Young LLP
31.1	Certification of President and Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

† Schedules and similar attachments to the Arrangement Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Registrant will furnish supplementally a copy of any omitted schedule or similar attachment to the SEC upon request.

* Confidential portions of this exhibit have been omitted and filed separately with the Commission pursuant to an application for Confidential Treatment under Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended.

(1) Incorporated by reference to the Company's proxy statement on Schedule 14A filed on July 3, 2008.

(2) Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2008.

(3) Incorporated by reference to the Company's Registration Statement on Form S-1, Reg. No. 33-96112.

(4) Incorporated by reference to Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999.

(5) Incorporated by reference to the Company's current report on Form 8-K filed on March 10, 2009.

(6) Incorporated by reference to the Company's current report on Form 8-K filed on October 30, 2008.

(7) Incorporated by reference to the Company's amended Form 8-A filed on July 25, 2002.

(8) Incorporated by reference to the Company's amended Form 8-A filed on October 18, 2005.

(9) Incorporated by reference to the Company's amended Form 8-A filed on August 14, 2006.

(10) Incorporated by reference to the Company's current report on Form 8-K filed on May 30, 2008.

(11) Incorporated by reference to the Company's registration statement on Form S-1, Reg. No. 33-96112.

(12) Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 1999.

(13) Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2000.

(14) Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2006.

(15) Incorporated by reference to the Company's proxy statement on Schedule 14A filed on April 3, 2007.

(16) Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2007.

(17) Incorporated by reference to the OncoGenex Technologies Inc. registration statement on Form F-1 filed on December 13, 2006.

(18) Incorporated by reference to the Company's registration statement on Form S-8 filed on August 26, 2008.

(19) Incorporated by reference to the Company's proxy statement on Schedule 14A filed on March 24, 2006.

(20) Incorporated by reference to the Company's current report on Form 8-K filed on December 15, 2006.

(21) Incorporated by reference to the Company's current report on Form 8-K filed on January 17, 2008.

(22) Incorporated by reference to the OncoGenex Technologies Inc. registration statement on Form F-1, Amendment No. 1, filed on January 29, 2007.

(23) Incorporated by reference to the Company's current report on Form 8-K filed on August 18, 2005.

(24) Incorporated by reference to the Schedule 13D filed by Schering Berlin Venture Corporation on October 31, 2005.

(25) Incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2006.

(26) Incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2007.

(27) Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2008.

(28) Incorporated by reference to the Company's current report on Form 8-K filed on August 27, 2008.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ONCOGENEX PHARMACEUTICALS, INC.
(Registrant)

Date: March 11, 2009

By: /s/ SCOTT CORMACK
Scott Cormack
Chief Executive Officer and President (principal executive officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ SCOTT CORMACK Scott Cormack	Chief Executive Officer, President and Director (principal executive officer)	Date: March 11, 2009
By: /s/ STEPHEN ANDERSON Stephen Anderson	Chief Financial Officer and Secretary (principal financial officer and principal accounting officer)	Date: March 11, 2009
By: /s/ MICHAEL MARTINO Michael Martino	Director	Date: March 11, 2009
By: /s/ MICHELLE BURRIS Michelle Burris	Director	Date: March 11, 2009
By: /s/ DWIGHT WINSTEAD Dwight Winstead	Director	Date: March 11, 2009
By: /s/ PAT BRADY Pat Brady	Director	Date: March 11, 2009
By: /s/ NEIL CLENDENINN Neil Clendeninn	Director	Date: March 11, 2009

EXHIBIT INDEX

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3.1(3)	Amended and Restated Certificate of Incorporation (As Amended Through October 17, 1995)
3.2(4)	Certificate of Amendment to Certificate of Incorporation filed on May 6, 1999
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3.4	Certificate of Amendment to Certificate of Incorporation filed on May 7, 2004
3.5(5)	Certificate of Correction filed on March 9, 2009 to Certificate of Amendment filed on May 7, 2004
3.6(2)	Certificate of Amendment to Certificate of Incorporation filed on August 20, 2008
3.7(6)	Third Amended and Restated Bylaws of Oncogenex Pharmaceuticals, Inc.
4.1(2)	Specimen Certificate of Common Stock
4.2(7)	Amended and Restated Rights Agreement dated as of July 24, 2002 between the Company and U.S. Stock Transfer Corporation
4.3(8)	First Amendment to Amended and Restated Rights Agreement dated as of October 17, 2005 between the Company and U.S. Stock Transfer Corporation
4.4(9)	Second Amendment to Amended and Restated Rights Agreement dated as of August 10, 2006 between the Company and U.S. Stock Transfer Corporation
4.5(10)	Third Amendment to Amended and Restated Rights Agreement dated May 27, 2008 between the Company and Computershare Trust Company, N.A.
4.6(1)	Form of Escrow Agreement between the Company, Computershare Trust Company of Canada and former shareholders and debentureholders of OncoGenex Technologies Inc.
4.7(1)	Form of OncoGenex Voting Agreement
4.8(1)	Form of Sonus Voting Agreement
10.1(11)	Sonus Pharmaceuticals, Inc. Incentive Stock Option, Nonqualified Stock Option and Restricted Stock Purchase Plan — 1991 (the “1991 Plan”), as amended
10.2(11)	Form of Incentive Option Agreement (pertaining to the 1991 Plan)
10.3(11)	Form of Sonus Pharmaceuticals, Inc. Nonqualified Stock Option Agreement under the 1991 Plan
10.4(12)	Sonus Pharmaceuticals, Inc. 1999 Nonqualified Stock Incentive Plan (the “1999 Plan”)
10.5(12)	Form of Sonus Pharmaceuticals, Inc. Nonqualified Stock Option Agreement under the 1999 Plan
10.6(12)	Form of Sonus Pharmaceuticals, Inc. Restricted Stock Purchase Agreement under the 1999 Plan
10.7(13)	Sonus Pharmaceuticals, Inc. 2000 Stock Incentive Plan (the “2000 Plan”)
10.8(14)	First Amendment to Sonus Pharmaceuticals, Inc. 2000 Plan
10.9(13)	Form of Sonus Pharmaceuticals, Inc. Stock Option Agreement (pertaining to the 2000 Plan)

Exhibit Number	Description
10.10(15)	Sonus Pharmaceuticals, Inc. 2007 Performance Incentive Plan (the "2007 Plan")
10.11(16)	Form of Sonus Pharmaceuticals, Inc. Stock Option Agreement (pertaining to the 2007 Plan)
10.12(16)	Form of Sonus Pharmaceuticals, Inc. Restricted Stock Purchase Agreement under the 2007 Plan
10.13(17)	OncoGenex Technologies Inc. Amended and Restated Stock Option Plan
10.14(18)	Stock Option Assumption, Amending and Confirmation Agreement dated as of August 21, 2008 between the Company and OncoGenex Technologies Inc.
10.15(19)	Sonus Pharmaceuticals, Inc. 2006 Employee Stock Purchase Plan
10.16(20)	Sonus Pharmaceuticals, Inc. Compensation Policy
10.17(20)	Sonus Pharmaceuticals, Inc. Executive Compensation Program
10.18(11)	Form of Indemnification Agreement for Officers and Directors of the Company
10.19(17)	Form of Indemnification Agreement between OncoGenex Technologies Inc. and each of Scott Cormack, Stephen Anderson and Cindy Jacobs
10.20(17)	Form of Indemnification Agreement between OncoGenex Technologies Inc. and Neil Clendeninn
10.21(21)	Severance/Change in Control Agreement dated January 11, 2008 between the Company and Michael Martino
10.22(2)	Executive Termination Agreement and General Release dated August 21, 2008 between the Company and Michael Martino
10.23(21)	Severance/Change in Control Agreement dated January 11, 2008 between the Company and Alan Fuhrman
10.24(2)	Executive Termination Agreement and General Release dated August 21, 2008 between the Company and Alan Fuhrman
10.25(17)	Employment Agreement between OncoGenex Technologies Inc. and Scott Cormack dated as of December 21, 2001, and Employment Amending Agreement dated as of August 10, 2005
10.26(22)	Employment Agreement between OncoGenex Technologies Inc. and Stephen Anderson dated as of January 9, 2006*
10.27(2)	Employment Amending Agreement dated June 28, 2007 between OncoGenex Technologies Inc. and Stephen Anderson
10.28(22)	Employment Agreement between OncoGenex, Inc. and Cindy Jacobs dated as of September 12, 2005*
10.29(23)	Securities Purchase Agreement dated as of August 15, 2005 by and among the Company and the investors named therein, together with their permitted transferees ("Securities Purchase Agreement")
10.30(23)	Form of Purchase Warrant related to the Securities Purchase Agreement
10.31(24)	Form of Purchase Warrant issued to Schering AG
10.32(23)	Registration Rights Agreement dated as of August 15, 2005 by and among the Company and the investors named therein
10.33(25)	Lease by and between BMR-217th Place LLC and the Company dated as of November 21, 2006
10.34(26)	First Amendment to Lease by and between BMR-217th Place LLC and the Company dated as of August 17, 2007

Exhibit Number	Description
10.35(27)	Second Amendment to Lease by and between BMR-217th Place LLC and the Company dated as of January 28, 2008
10.36	Amended and Restated License Agreement effective as of July 2, 2008 by and between OncoGenex Technologies Inc. and Isis Pharmaceuticals, Inc. (OGX-011)*
10.37(22)	License Agreement between OncoGenex Technologies Inc. and the University of British Columbia effective as of November 1, 2001, and Amending Agreement dated as of August 30, 2006 (OGX-011)*
10.38(2)	Second Amending Agreement and Consent as of August 7, 2008 between The University of British Columbia and OncoGenex Technologies Inc. (OGX-011)
10.39(22)	Collaboration and License Agreement between OncoGenex Technologies Inc. and Isis Pharmaceuticals, Inc. effective as of January 5, 2005 (OGX-427)*
10.40(22)	License Agreement between OncoGenex Technologies Inc. and the University of British Columbia effective as of April 5, 2005, and Amending Agreement dated as of August 30, 2006 (OGX-427)*
10.41(2)	Second Amending Agreement as of August 7, 2008 between The University of British Columbia and OncoGenex Technologies Inc. (OGX-427)
16.1(28)	Letter from Ernst & Young LLP, Independent Registered Public Accounting Firm, to the Securities and Exchange Commission dated August 26, 2008, regarding change in certifying Accountant
21.1	Subsidiaries of the Registrant
23.1	Consent of Ernst & Young LLP
31.1	Certification of President and Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

† Schedules and similar attachments to the Arrangement Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Registrant will furnish supplementally a copy of any omitted schedule or similar attachment to the SEC upon request.

* Confidential portions of this exhibit have been omitted and filed separately with the Commission pursuant to an application for Confidential Treatment under Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended.

(1) Incorporated by reference to the Company's proxy statement on Schedule 14A filed on July 3, 2008.

(2) Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2008.

(3) Incorporated by reference to the Company's Registration Statement on Form S-1, Reg. No. 33-96112.

(4) Incorporated by reference to Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999.

(5) Incorporated by reference to the Company's current report on Form 8-K filed on March 10, 2009.

(6) Incorporated by reference to the Company's current report on Form 8-K filed on October 30, 2008.

(7) Incorporated by reference to the Company's amended Form 8-A filed on July 25, 2002.

(8) Incorporated by reference to the Company's amended Form 8-A filed on October 18, 2005.

(9) Incorporated by reference to the Company's amended Form 8-A filed on August 14, 2006.

(10) Incorporated by reference to the Company's current report on Form 8-K filed on May 30, 2008.

(11) Incorporated by reference to the Company's registration statement on Form S-1, Reg. No. 33-96112.

(12) Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 1999.

(13) Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2000.

(14) Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2006.

(15) Incorporated by reference to the Company's proxy statement on Schedule 14A filed on April 3, 2007.

(16) Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2007.

(17) Incorporated by reference to the OncoGenex Technologies Inc. registration statement on Form F-1 filed on December 13, 2006.

(18) Incorporated by reference to the Company's registration statement on Form S-8 filed on August 26, 2008.

(19) Incorporated by reference to the Company's proxy statement on Schedule 14A filed on March 24, 2006.

(20) Incorporated by reference to the Company's current report on Form 8-K filed on December 15, 2006.

(21) Incorporated by reference to the Company's current report on Form 8-K filed on January 17, 2008.

(22) Incorporated by reference to the OncoGenex Technologies Inc. registration statement on Form F-1, Amendment No. 1, filed on January 29, 2007.

(23) Incorporated by reference to the Company's current report on Form 8-K filed on August 18, 2005.

(24) Incorporated by reference to the Schedule 13D filed by Schering Berlin Venture Corporation on October 31, 2005.

(25) Incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2006.

(26) Incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2007.

(27) Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2008.

(28) Incorporated by reference to the Company's current report on Form 8-K filed on August 27, 2008.

Exhibit 3.4

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

OF

SONUS PHARMACEUTICALS, INC.

a Delaware Corporation

(pursuant to Section 242 of the Delaware General Corporation Law)

SONUS PHARMACEUTICALS, INC., a corporation organized and existing under and by the virtue of the Delaware General Corporation Law (the "Corporation"), through its duly authorized officers and by authority of its Board of Directors does hereby certify:

FIRST: That in accordance with the provisions of Sections 242 of the General Corporation Law of the State of Delaware, the Board of Directors of the Corporation duly adopted resolutions setting forth a proposed amendment to the Amended and Restated Certificate of Incorporation of the Corporation, declaring said amendment to be advisable and directing that said amendment be submitted to the stockholders of the Corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the first two sentences of the text of Article IV of the Corporation's Amended and Restated Certificate of Incorporation be amended to read as follows:

"This Corporation is authorized to issue two classes of stock to be designated respectively, "Common Stock" and "Preferred Stock." The total number of shares of all classes of stock which the Corporation shall have authority to issue is 80,000,000, of which (i) 75,000,000 shares shall be designated Common Stock and shall have a par value of $.001 per share; and (ii) 5,000,000 shares shall be designated Preferred Stock and shall have a par value of $.001 per share."

SECOND: That thereafter, pursuant to resolution of its Board of Directors, in accordance with Section 242 of the General Corporation Law of the State of Delaware, the Corporation's stockholders approved and authorized the foregoing amendment (the "Amendment").

THIRD: That the Amendment was duly adopted in accordance with the provisions of Section 242 of the Delaware General Corporation Law.

IN WITNESS THEREOF, this Corporation has caused this Certificate of Amendment to be signed by Michael A. Martino, its duly authorized Chief Executive Officer this 5th day of May, 2004.

SONUS PHARMACEUTICALS, INC.
a Delaware Corporation

By: /s/ Michael A. Martino
Michael A. Martino,
Chief Executive Officer

Exhibit 10.36

EXECUTION VERSION

AMENDED AND RESTATED LICENSE AGREEMENT

THIS AMENDED AND RESTATED LICENSE AGREEMENT ("Agreement") is made and entered into effective as of July 2, 2008 (the "Amendment Effective Date"), by and between ONCOGENEX TECHNOLOGIES INC., having offices at #400 — 1001 West Broadway, Vancouver, B.C. V6H 4B1 ("OncoGenex") and ISIS PHARMACEUTICALS, INC., having principal offices at 1896 Rutherford Road, Carlsbad CA 92008-7208 ("Isis"). OncoGenex and Isis each may be referred to herein individually as a "Party," or collectively as the "Parties."

WHEREAS, the Parties entered into a Collaboration and Co-Development Agreement dated November 16, 2001 (the "Original Collaboration Agreement") which collaboration resulted in the development of OGX-011, a second generation antisense inhibitor of Clusterin;

AND WHEREAS, the Parties now wish for OncoGenex to proceed with unilateral development of OGX-011 and Products and in this connection wish to enter into this Agreement to amend and restate the Original Collaboration Agreement, as provided herein.

NOW, THEREFORE, the Parties do hereby agree as follows:

ARTICLE 1
DEFINITIONS

Capitalized terms used in this Agreement and not otherwise defined herein have the meanings set forth in Appendix A.

ARTICLE 2
TERMINATION OF COLLABORATION

Section 2.1 **Previous Collaboration.** Pursuant to the Original Collaboration Agreement, commencing November 16, 2001 the Parties collaborated to jointly develop OGX-011 and the Products to the present stage of development (the "Collaboration"). As of the Amendment Effective Date, the Collaboration is terminated.

ARTICLE 3
CESSATION OF OPERATION OF COLLABORATION

Section 3.1 **Dissolution of Operating Committee.** Pursuant to Article 3 of the Original Collaboration Agreement, the Parties established an "Operating Committee" to oversee the Collaboration. As of the Amendment Effective Date, the Operating Committee is hereby dissolved and the Operating Committee will have no further responsibility, authority or function.

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* Certain information in this exhibit has been omitted as confidential, as indicated by [***]. This information has been filed separately with the Commission.

ARTICLE 4
LICENSE GRANT, TECHNOLOGY TRANSFER, DILIGENCE

Section 4.1 **License Grant.**

4.1.1 Nonexclusive License. Subject to the terms and conditions of this Agreement, Isis hereby grants to OncoGenex a worldwide, nonexclusive license, with the right to grant sublicenses as set forth in Section 4.1.2 below, under the Isis Core Technology, Isis Core Technology Patents, Isis Manufacturing Technology and Isis Manufacturing Patents to research, develop, make, have made, use, gain regulatory approval, commercialize, sell, offer for sale, have sold, export and import OGX-011 and Products for all uses.

4.1.2 Sublicenses. The licenses granted to OncoGenex under this Article 4 are sublicensable only in connection with a license of OGX-011 or a Product to any Affiliate of OncoGenex or to any Third Party, in each case for the continued Development and Commercialization of OGX-011 or such Product in accordance with the terms of this Agreement, *provided* that (i) such Affiliate or Third Party will agree in writing to be bound by and subject to all applicable terms and conditions of this Agreement in the same manner and to the same extent as OncoGenex, and (ii) OncoGenex will remain responsible for the performance of this Agreement and will cause such Affiliate or Third Party to comply with the applicable terms and conditions of this Agreement. In addition to the requirements and limitations set forth above, with respect to the Isis Manufacturing Technology, OncoGenex will (a) name Isis as a third party beneficiary with the right to directly enforce Article 7 (Confidentiality) of this Agreement against such Affiliate or Third Party, (b) promptly notify Isis in writing specifically identifying the Isis Manufacturing Technology to be disclosed to such Third Party and identifying by name such Third Party and (c) use appropriate precautions and include provisions in such sublicense to protect the Isis Manufacturing Technology such that the sublicensee will not use any Isis Manufacturing Technology to manufacture any other ASOs for Third Parties and in any event OncoGenex will not provide to any Third Party manufacturer any batch record transferred by Isis to OncoGenex under this Agreement.

4.1.3 Follow On/Back-up Compounds. At OncoGenex' request, Isis and OncoGenex will negotiate in good faith a reasonable research plan and corresponding budget, at the same FTE rate as set forth in the Original Collaboration Agreement, to identify exclusively for OncoGenex additional MOE Gapmers that modulate Clusterin ("Follow-on Compounds"). In such event and after OncoGenex has paid Isis pursuant to such research plan, the definition of "Product" under this Agreement shall include the Follow-on Compounds.

4.1.4 Improvements. To the extent that Isis has the right to license an Improvement, the Parties will negotiate in good faith regarding the use of any such Improvement to research, develop, make, have made, use, gain regulatory approval, commercialize, sell, offer for sale, have sold, export and import OGX-011 and Products for all uses. If OncoGenex gives to Isis written notice of its desire to obtain a license to an Improvement, the Parties shall negotiate in good faith and attempt to reach mutual agreement upon a commercially reasonable agreement under which OncoGenex obtains a license under such Improvement, and all patent and other intellectual property rights therein and thereto, to research, develop, make, have made, use, sell, offer for sale, have sold and import Products. The license will be sublicensable in accordance with Section 4.1.2. If requested by OncoGenex, Isis will give to OncoGenex a written description of such Improvement in reasonably specific detail, together with such data and information as reasonably requested by OncoGenex.

4.1.5 Exclusivity. Subject to Section 12.2.2, neither Isis nor any of its Affiliates will (a) engage, on behalf of itself or for any other party, in the research, development, manufacture, production, release or commercialization of ASOs that act predominantly by [***] Clusterin [***] or that are [***] Clusterin [***] or products containing such ASOs, or (b) grant to any other party any license, immunity or other right, in each case other than a Permitted License or as otherwise set forth on Appendix F, to do any of the foregoing. Isis represents and warrants that all Permitted Licenses as of the Amendment Effective Date are listed on Appendix F.

4.1.6 [***] **and** [***] **Patents.** Without limiting OncoGenex' obligations under Section 6.2.4, Isis will timely pay in full all amounts required to be paid by Isis, and timely perform in full all obligations required to be performed by Isis, under the [***] Agreement and the [***] Agreement. Without the prior express written consent of OncoGenex (such consent not to be unreasonably withheld, conditioned or delayed), Isis will not (and will take no action or make no omission to) modify or waive any material provision of the [***] Agreement or the [***] Agreement that could impair the value of the sublicenses granted to OncoGenex under the [***] Agreement or the [***] Agreement, or to terminate or have terminated the [***] Agreement or the [***] Agreement.

Section 4.2 **Assignment, Technology Transfer.**

4.2.1 Assignment. Isis previously has assigned and transferred, or will assign and transfer, and hereby does assign and transfer, to OncoGenex or its designee, all rights, title, and interests in and to the Product-Specific Technology and the Product-Specific Technology Patents. Simultaneously with the execution of this Agreement, Isis will execute and deliver a confirmatory assignment relating to all Product-Specific Technology Patents listed on Appendix G.

4.2.2 Isis Transfer of Technology. Subject to the terms and conditions of this Agreement, Isis will transfer to OncoGenex, or a Third Party designate selected solely by OncoGenex, (a) all know-how required to use and interpret the Release Methods, (b) all software necessary for the conduct of the Release Methods, (c) the Supply Chain Network necessary for the manufacture of the Product, (d) any Isis Core Technology, (e) any Product-Specific Technology and (f) the Isis Manufacturing Technology, in each case Controlled by Isis on the Amendment Effective Date. Isis will use Commercially Reasonable Efforts to complete such transfer pursuant to this Section 4.2.1 within 120 days following the Amendment Effective Date. If (i) such transfer requires more than [***] (ii) such transfer is made to a Third Party manufacturer, or (iii) OncoGenex reasonably requests further technical assistance with respect thereto, then, in each case, OncoGenex will pay to Isis the standard Isis FTE rate for the time to complete such transfer or to provide such assistance. Any transfer made under this Section 4.2.1 is subject to Section 4.1.2 and Article 7.

4.2.3 Transfer of Records. Isis will provide to OncoGenex promptly following OncoGenex' written request, (a) all batch records related to any Product, including but not limited to corresponding release data, (b) toxicity and pharmacokinetic data and reports related to such Product, (c) pharmacology data and reports related to such Product, (d) Product and OGX-011 characterization data, (e) Product and OGX-011 stability data, (f) any other records, including, but not limited to, raw data or interim or final reports, related to such Product or OGX-011, and (g) all Regulatory Documents, in each case that are in the possession of Isis or its Affiliates, or any third party engaged by Isis or any of its Affiliates. OncoGenex will promptly share with Isis a summary of the data and results related to each clinical trial conducted by OncoGenex that was completed or commenced prior to the Amendment Effective Date in substantially the form, and with substantially the content, of OncoGenex' regular reports provided to its board of directors regarding such clinical trial, but in any event by the later of (i) 60 days following the Amendment Effective Date and (ii) the date OncoGenex comes into possession of such information.

Section 4.3 Supply of Existing OGX-011. Isis will supply OncoGenex, and OncoGenex will purchase from Isis, the [***] grams of OGX-011 API in Isis' possession as of the Amendment Effective Date for a purchase price of $1,356,000, in accordance with the terms and conditions of Purchase Order No. 184, dated February 14, 2006, issued by OncoGenex to Isis (including without limitation the specifications, warranties and other obligations set forth in the Terms and Conditions of Purchase attached thereto, other than the purchase price and payment terms), with the same effect, and to the same extent, as if such supply and purchase had been made pursuant to such Purchase Order. In connection therewith, Isis shall deliver to OncoGenex an updated Certificate of Analysis dated not more than ninety (90) days prior to the date of delivery to OncoGenex. OncoGenex acknowledges and agrees that in order to perform the testing necessary to provide the updated certificate of analyses, Isis will need to use approximately [***] grams of such API. Within ninety (90) days following the receipt by OncoGenex of such API and such Certificate of Analysis, each provided in accordance herewith, OncoGenex shall pay to Isis the purchase price set forth in this Section 4.3 and take delivery of the API purchased by OncoGenex hereunder plus approximately [***] grams of API previously purchased by OncoGenex.

Section 4.4 **Diligence.** OncoGenex will use Commercially Reasonable Efforts to develop and commercialize OGX-011 and Products.

ARTICLE 5
DEVELOPMENT & COMMERCIALIZATION

Section 5.1 **Development, Commercialization and Regulatory Responsibilities.** OncoGenex will have sole responsibility, including without limitation sole responsibility for all funding, resourcing and decision making, for all further development and commercialization with respect to OGX-011 and Products. OncoGenex hereby assumes all regulatory responsibilities in connection with OGX-011 and Products, including sole responsibility for all Regulatory Documents and for obtaining all regulatory approvals. OncoGenex will comply with all Applicable Laws in connection with the development and commercialization of OGX-011 and Products. All INDs, NDAs, MAAs and other regulatory filings for OGX-011 and Products will be owned by OncoGenex.

Section 5.2 **Reports by OncoGenex.** At Isis' request, after the first anniversary of the Amendment Effective Date, OncoGenex will provide an annual report to Isis summarizing OncoGenex' development and commercialization activities over the past year regarding the Product in substantially the form, and with substantially the content, of OncoGenex' regular reports provided to its board of directors regarding the Product. In addition, OncoGenex will promptly respond to any reasonable follow-up questions Isis may have regarding such reports solely to the extent necessary to determine whether OncoGenex is in compliance with its obligations to use Commercially Reasonable Efforts under Section 4.4. Isis shall have the right to use such reports solely to reasonably determine whether OncoGenex is in compliance with its obligations to use Commercially Reasonable Efforts under Section 4.4.

Section 5.3 **Safety Database.** Isis maintains a database that includes information regarding the safety and tolerability of its drug compounds, individually and as a class, including information discovered during pre-clinical and clinical development (the "Isis Database").

5.3.1 To the extent OncoGenex and its Affiliates have collected data and information specifically regarding Products, and subject to Applicable Law, including, without limitation, all applicable privacy laws, rules and regulations (such as the Health Insurance Portability Accountability Act), any applicable informed consents, and any obligations or restrictions imposed by Third Party clinical sites relating to dissemination or use of such data and information, in an effort to maximize understanding of the safety profile and pharmacokinetics of Isis compounds, OncoGenex will provide Isis with the following: (a) copies of [***] and [***] summary reports, and [***] final reports, in each case specifically regarding Products, and (b) in connection with any reported [***] (including any follow-up or amended reports) specifically regarding a Product, the following [***] regarding the applicable Product: (i) [***]; (ii) [***] usage; (iii) particulars of [***]; (iv) [***] history [***]; and (v) [***]. All such data and information disclosed by OncoGenex to Isis in connection with this Section 5.3, together with any data and information related to the [***] of each Product and any [***], will be OncoGenex' Confidential Information. Isis shall use such Confidential Information solely for the purpose of populating the Isis Database, and for no other purpose. Isis shall not disclose any such Confidential Information to any Third Party; *provided, however*, that Isis may conduct analyses to keep Isis and its partners informed regarding class generic safety and pharmacokinetic properties of ASOs so long as Isis does not disclose to such Third Parties the identity of the applicable Product, Clusterin as the target, OncoGenex or its Affiliates (or any information that would foreseeably reveal the identity of the applicable Product, Clusterin as the gene target, OncoGenex or its Affiliates) or any patient identifying information.

5.3.2 To the extent that [***] OncoGenex under this Agreement collects safety and tolerability data or information specifically regarding a Product, OncoGenex shall use commercially reasonable efforts to obtain from such sublicensee (a) the right to provide to Isis (whether through OncoGenex or its Affiliate, or directly from such sublicensee) the [***] described in [***] and (b) the right of Isis to [***] for the purposes described in [***]. Only sublicensees that agree to provide such [***] and grant Isis the right to use such [***] as set forth herein, will have the right to access the results of any queries requested by OncoGenex. If and when Isis identifies safety, pharmacokinetic or other related issues that may be relevant to a Product [***] Isis will promptly inform OncoGenex of such issues, and if requested, provide the data and information supporting Isis' conclusions regarding such issues. In addition, at OncoGenex' reasonable request and at no cost to OncoGenex, Isis will [***] the Isis Database to provide OncoGenex information regarding [***] or other related issues.

5.3.3 To the extent OncoGenex or its Affiliate obtains safety and tolerability data or information specifically regarding a Product, and such data or information is subject to any restrictions or obligations imposed by a Third Party clinical site, OncoGenex shall use commercially reasonable efforts to obtain from such Third Party clinical site (a) the right to provide to Isis the data and information described in this Section 5.3, and (b) the right of Isis to use such data and information for the purposes described in this Section 5.3.

ARTICLE 6
FINANCIAL PROVISIONS

Section 6.1 **Initial Payment by OncoGenex.** The Parties acknowledge and agree that OncoGenex paid to Isis $500,000 (U.S.) under section 5.1 of the Original Collaboration Agreement.

Section 6.2 **Royalty Payments by OncoGenex; Royalty Term.**

6.2.1 Royalty Rate. In consideration of Isis' collaborative efforts under the Original Collaboration Agreement and the licenses and assignments granted hereunder, OncoGenex will pay Isis a base royalty of [***]% of the Net Sales of a Product. In addition, OncoGenex will pay Isis [***]% of Royalty Revenue in excess of [***]% of Net Sales of Third Parties to a maximum additional royalty payable to Isis of [***]% of Net Sales of Third Parties.

6.2.2 [***]**.** Notwithstanding anything to the contrary in this Agreement, if (i) OncoGenex has an agreement with a Third Party for the further development or commercialization of a Product pursuant to which such Third Party is selling the Product (a "Commercialization Agreement"), (ii) under such Commercialization Agreement the [***] by such Third Party to OncoGenex [***] of such Product under such Commercialization Agreement [***] and (iii) a [***] in any country would not be infringed by the making, using or selling of a Product in such country by an unauthorized party, then with respect to such Product in such country, (a) the applicable [***]% base royalty rate, and the [***]% threshold for and [***]% cap on the additional royalty, under Section 6.2.1 above shall be [***] as such [***] and (b) the aggregate royalty owing to Isis shall not exceed [***] of the Royalty Revenue retained by OncoGenex.

6.2.3 [***]**.**

(a) Notwithstanding anything to the contrary in this Agreement, subject to Section 6.2.3(c), if (i) OncoGenex has a Commercialization Agreement, and (ii) under such Commercialization Agreement the [***] to OncoGenex on the [***] under such agreement because [***] then with respect to such Product, the applicable [***]% royalty rate, and the [***]% threshold and the [***] on the additional royalty under Section 6.2.1 above shall be reduced in the same manner and in the same proportion as such [***].

(b) Notwithstanding anything to the contrary in this Agreement, subject to Section 6.2.3(c) if (i) OncoGenex does not have a Commercialization Agreement, and (ii) in any quarter, there are one or more [***] OncoGenex may [***] above on a country-by-country and Product-by-Product basis by [***] represents of the [***] in such country as reported by IMS plus (b) [***] in such country, in each case in such quarter. By way of example, if in any quarter the [***] in a country represents 50% of the [***] of the Product plus all [***] OncoGenex may reduce the royalties due to Isis under Section 6.2.1 by [***] in such country. Nothing in this Section 6.2.3 shall modify the obligations of OncoGenex under [***] required pursuant to the [***] Agreement and the [***] Agreement.

(c) This Section will not apply to [***] by Isis or a Third Party in a country under a license granted by Isis pursuant to Section 12.2.2, unless a Valid Claim within the Product-Specific Technology Patents, Isis Core Technology Patents, Isis Manufacturing Patents or Joint Patents in such country would not be infringed by the making, using or selling of such Product in such country by an unauthorized party.

6.2.4 Third Party Payments. In addition to the royalty set forth in Section 6.2.1, OncoGenex will pay to Isis (i) a royalty of [***]% of Net Sales of such Product to the extent required pursuant to the [***] Agreement; and (ii) a royalty of [***]% of Net Sales of such Product to the extent required pursuant to the [***] Agreement. In the event that Isis negotiates a reduction or elimination of the royalties with [***] or [***] following the Amendment Effective Date, the royalties due under the referenced license agreements will still be paid to Isis.

6.2.5 Noncumulative Relief. If the conditions described in Sections 6.2.2 and 6.2.3 have been met such that, under both provisions, OncoGenex would be entitled to [***] OncoGenex may [***] by applying the greater of the [***] such that under no circumstances will Sections 6.2.2 and 6.2.3 work together to cumulatively [***].

Section 6.3 **Royalty Term.** Royalties payable under Section 6.2 will be payable for each Product on a country-by-country basis from the first commercial sale of a Product in such country until the date that is the later of (i) [***] after the first commercial sale of a Product in such country or (ii) the expiration of the last to expire Valid Claim within the Product-Specific Technology Patents, Isis Core Technology Patents, Isis Manufacturing Technology or Joint Patents which would be infringed by the making, using or selling of the applicable Product in the applicable country by an unauthorized party.

Section 6.4 **Timing of Royalty Payments; Preliminary Report.**

6.4.1 The royalties calculated in Sections 6.2 or 6.3 will become due and payable within 40 days after each respective Royalty Due Date and will be calculated in respect of the Net Sales in the calendar quarter period ending with the applicable Royalty Due Date; *provided, however*, that if the royalties are adjusted in accordance with Section 6.2.3, then such royalties will become due and payable within the later of (a) forty (40) days after each respective Royalty Due Date, and (b) fifteen (15) days after the applicable IMS data is available for the applicable quarter as necessary to fully calculate the royalty reduction under Section 6.2.3. Furthermore, OncoGenex agrees to supply Isis the information Isis reasonably requires to comply with any third party payments under Section 6.3. In the event the applicable IMS data is no longer available, the Parties agree to negotiate in good faith a reasonable, mutually-acceptable data source to be used in place of IMS data for purposes of calculating the royalty reduction under Section 6.2.3. In the event the applicable IMS data (or other reasonable, mutually-acceptable data described above) is only available on a date that is significantly later than forty (40) days after the respective Royalty Due Date, the Parties agree to negotiate in good faith a reasonable, mutually-acceptable mechanism providing for the payment by OncoGenex, within forty (40) days after the respective Royalty Due Date, of the estimated royalty payment for a quarter based on commercially reasonable assumptions, and the prompt true-up (in the form of an additional payment, repayment or credit, as applicable) of such estimated payment once the actual royalty payment for such quarter may be calculated.

6.4.2 In addition, during the Term following the first commercial sale of any Product, within 10 Business Days after the Royalty Due Date, OncoGenex will provide Isis a preliminary non-binding quarterly royalty report estimating the total Net Sales of Product and royalty payable for such calendar quarter. Unless required by applicable law or OncoGenex has already publicly disclosed such information, Isis shall not directly or indirectly in any manner whatsoever, publicly disclose the information contained in the preliminary royalty report estimate without first confirming such information against the payment made by OncoGenex under Section 6.4.1 above for the applicable period, and without expressly acknowledging that such information is a preliminary non-binding estimate only. Notwithstanding anything to the contrary in this Agreement, (a) any breach by Isis of its obligations under Section 6.4.2 shall constitute a material breach under this Agreement, and (b) OncoGenex will not be liable to Isis for any Loss Isis may suffer as a result of Isis publicly disclosing information contained in such a preliminary non-binding quarterly royalty report estimate.

Section 6.5 **Non-Royalty Revenue Payments by OncoGenex.** Non-Royalty Revenue will be allocated between the Parties based on the timing of when OncoGenex signs a sublicensing agreement with a Third Party for the Product as follows:

Timing of signing a sublicensing agreement	Isis share of Non-Royalty Revenue	OncoGenex share of Non-Royalty Revenue
(a) Prior to the initiation (i.e. first patient dosed) of a first Registration Clinical Trial for a Product	30%	70%
(b) After (a) but prior to enrolling 20% of the planned patients in the first Registration Clinical Trial for a Product	25%	75%
(c) After (b) but prior to obtaining marketing approval from a Regulatory Authority	20%	80%
(d) After (c)	15%	85%

6.5.1 Third Party Payments on Non-Royalty Revenue. Isis will be solely responsible for passing through the Third Party Payments owing to [***] and [***] on Non-Royalty Revenue, if any.

Section 6.6 **Timing of Non-Royalty Revenue Payments.** Isis share of Non-Royalty Revenue calculated in Section 6.5 will become due and payable within twenty-one (21) days after receipt of the applicable Non-Royalty Revenue by OncoGenex.

Section 6.7 **Payment Method.** Any amounts due to Isis pursuant to this Agreement will be paid in U.S. dollars by wire transfer in immediately available funds to an account designated by Isis. Any payments or portions thereof due hereunder which are not paid on the date such payments are due under this Agreement will bear interest at a rate equal to the lesser of the prime rate as published in *The Wall Street Journal*, Eastern Edition, on the first day of each calendar quarter in which such payments are overdue, plus two percent (2%), or the maximum rate permitted by law, whichever is lower, calculated on the number of days such payment is delinquent, compounded monthly.

Section 6.8 **Currency; Foreign Payments.** If any currency conversion will be required in connection with any payment hereunder, such conversion will be made by using the daily noon buying rates as published by the Federal Reserve Bank of New York on the last business day of the calendar quarter to which such payments relate. If at any time legal restrictions prevent the prompt remittance of any payments in any jurisdiction, OncoGenex may notify Isis and make such payments by depositing the amount thereof in local currency in a bank account or other depository in such country in the name of Isis or its designee, and OncoGenex will have no further obligations under this Agreement with respect thereto.

Section 6.9 **Taxes.** OncoGenex may deduct from any amounts it is required to pay to Isis pursuant to this Agreement an amount equal to that withheld for or due on account of any taxes (other than taxes imposed on or measured by net income) or similar governmental charge imposed on Isis by a jurisdiction of OncoGenex ("Withholding Taxes"). OncoGenex will provide Isis a certificate evidencing payment of any Withholding Taxes hereunder within 30 days of such payment. OncoGenex will notify Isis as soon as practicable once OncoGenex has determined it will deduct the amount of any Withholding Taxes from its payments to Isis under this Section 6.9. Each Party agrees to cooperate with the other Party in claiming refunds or exemptions from such deductions or withholdings under any relevant agreement or treaty which is in effect. The Parties shall discuss applicable mechanisms for minimizing such taxes to extent possible in compliance with Applicable Law. In addition, the Parties shall cooperate in accordance with Applicable Law to minimize indirect taxes (such as value added tax, sales tax, consumption tax and other similar taxes) in connection with this Agreement.

Section 6.10 **Records Retention; Audit.**

6.10.1 Regulatory Records. With respect to the subject matter of this Agreement, OncoGenex will maintain, or cause to be maintained, records of its research, development, manufacturing and commercialization activities, including all Regulatory Documentation, pursuant to its standard operating procedures. All Regulatory Documentation will be retained for a period at least as may be required by Applicable Law.

6.10.2 Record Retention. OncoGenex will maintain (and will ensure that its sublicensees will maintain) complete and accurate books, records and accounts that fairly reflect Revenue and the royalties payable to Isis under this Agreement (including the calculation of Net Sales and any adjustments under Section 6.2) with respect to the Product in sufficient detail to confirm the accuracy of any payments required hereunder and in accordance with GAAP, which books, records and accounts will be retained until the later of (i) 3 years after the end of the period to which such books, records and accounts pertain, and (ii) the expiration of the applicable tax statute of limitations (or any extensions thereof), or for such longer period as may be required by Applicable Law.

6.10.3 Audit. Isis will have the right to have an independent certified public accounting firm of nationally recognized standing, reasonably acceptable to OncoGenex, have access during normal business hours, and upon reasonable prior written notice, to such of the records of OncoGenex as may be reasonably necessary to verify the accuracy of Revenues for any calendar quarter or calendar year ending not more than 24 months prior to the date of such request; *provided, however*, that Isis will not have the right to conduct more than one such audit in any Calendar Year except as provided below. Isis will bear the cost of such audit unless the audit reveals a variance of more than 5% from the reported results, in which case OncoGenex will bear the cost of the audit. Isis will have the right to audit previous years, if such years have not been previously audited, if the audit reveals a variance of more than 5% from the reported results. Isis will bear the cost of such previous year audits unless such audits reveal a variance of more than 5%. The results of such accounting firm will be final and binding upon each of Isis and OncoGenex, absent manifest error.

6.10.4 Payment of Additional Amounts. If, based on the results of such audit, additional payments are owed by OncoGenex under this Agreement, OncoGenex will make such additional payments, with interest from the date originally due at the rate of 1% per month, within 60 days after the date on which such accounting firm's written report is delivered to OncoGenex.

6.10.5 Confidentiality. Isis will treat all information subject to review under this Section 6.10 as OncoGenex' Confidential Information in accordance with the confidentiality provisions of Article 7 and will cause its accounting firm to enter into a reasonably acceptable confidentiality agreement with OncoGenex obligating such firm to maintain all such financial information in confidence pursuant to such confidentiality agreement. The accounting firm will disclose to Isis only whether the reports are correct or not and the amount of any discrepancy. No other information will be shared.

ARTICLE 7
CONFIDENTIALITY

Section 7.1 **Disclosure and Use Restriction.** Except as expressly provided herein, the Parties agree that, for the Term and for five (5) years thereafter, each Party will keep completely confidential and will not publish, submit for publication or otherwise disclose, and will not use for any purpose except for the purposes contemplated by this Agreement, any Confidential Information received from the other Party.

7.1.1 Authorized Disclosure. Each Party may disclose Confidential Information of the other Party to the extent that such disclosure is:

(a) made in response to a valid order of a court of competent jurisdiction; *provided, however*, that such Party will first have given notice to such other Party and given such other Party a reasonable opportunity to quash such order and to obtain a protective order requiring that the Confidential Information and documents that are the subject of such order be held in confidence by such court or agency or, if disclosed, be used only for the purposes for which the order was issued; and provided further that if a disclosure order is not quashed or a protective order is not obtained, the Confidential Information disclosed in response to such court or governmental order will be limited to that information which is legally required to be disclosed in response to such court or governmental order;

(b) otherwise required by law; *provided, however*, that the disclosing Party will provide such other Party with notice of such disclosure in advance thereof to the extent practicable;

(c) made by such Party to the Regulatory Authorities as required in connection with any filing, application or request for Regulatory Approval; *provided, however*, that reasonable measures will be taken to assure confidential treatment of such information;

(d) made by such Party, in connection with the performance of this Agreement, to permitted sublicensees, licensors, directors, officers, employees, consultants, representatives or agents, each of whom prior to disclosure must be bound by obligations of confidentiality and non-use at least equivalent in scope to those set forth in this Article 7; or

(e) made by such Party to existing or potential acquirers; existing or potential pharmaceutical collaborators (to the extent contemplated hereunder); investment bankers; existing or potential investors, merger candidates, partners, venture capital firms or other financial institutions or investors for purposes of obtaining financing; or, bona fide strategic potential partners; each of whom prior to disclosure must be bound by obligations of confidentiality and non-use at least equivalent in scope to those set forth in this Article 7.

Section 7.2 **Publicity.**

7.2.1 Press Releases Regarding Agreement. Upon execution of this Agreement, the Parties shall issue a joint press release announcing the existence of this Agreement in a form and substance agreed to in writing by the Parties. Each Party agrees not to issue any other press release or other public statement disclosing other information relating to this Agreement or the transactions contemplated hereby without the prior written consent of the other Party, except for those communications required by Applicable Law or court order, disclosures of information for which consent has previously been obtained, and information of a similar nature to that which has been previously disclosed publicly with respect to this Agreement, each of which will not require advance approval, but will be provided to the other Party as soon as practicable after the release or communication thereof.

7.2.2 Press Releases Regarding Products.

(a) OncoGenex may publish, present or otherwise disclose results regarding OGX-011 or Product to the public at its sole discretion; *however*, any press release or other similar public communication by either Party related to a Product's efficacy or safety data and/or results, will be submitted to the other Party for review at least 4 Business Days in advance of such proposed public disclosure. Notwithstanding the foregoing, if the Party is making a disclosure that is reasonably required by applicable law, regulation or court order and cannot practically submit the disclosure to the other Party within the 4 Business Day advance notice period above, the disclosing Party may provide the other Party the disclosure [***] advance notice as is practical under the circumstances, but in any event at least [***] written notice. OncoGenex may satisfy its notice obligation under this Section 7.2.2(a) by emailing and telephoning either Isis' Chief Executive Officer or Chief Operating Officer, and Isis may satisfy its notice obligation under this Section Section 7.2.2(a) by emailing and telephoning OncoGenex' Chief Executive Officer.

(b) In addition, each Party will immediately notify (and provide as much advance notice as possible to) the other of any event materially related to Product (including any regulatory approval) so that the Parties may analyze the need to or desirability of publicly disclosing or reporting such event.

ARTICLE 8
TECHNOLOGY AND PATENTS

Section 8.1 **Ownership.**

8.1.1 Ownership of Technology and Patents.

(a) As between OncoGenex and Isis, Isis will solely own all right, title and interest to the Isis Core Technology, Isis Core Technology Patents, Isis Manufacturing Technology and Isis Manufacturing Patents.

(b) As between OncoGenex and Isis, OncoGenex will solely own all right, title and interest to the OncoGenex Technology and OncoGenex Technology Patents.

(c) Except as otherwise set forth in clauses (a) and (b) above, and in Section 4.2.1, as between OncoGenex and Isis, (i) OncoGenex will solely own all right, title and interest in all discovery, invention, data, information, trade secret, know-how or other technology (the "Technology") conceived or reduced to practice solely by employees or agents of OncoGenex, together with all patents and other intellectual property rights therein and thereto; (ii) Isis will solely own all right, title and interest in and to all Technology conceived or reduced to practice solely by employees or agents of Isis, together with all patents and other intellectual property rights therein and thereto; and (iii) OncoGenex and Isis will jointly own all right, title and interest in all Joint Technology, together with all patents and other intellectual property rights therein and thereto. Each party will have the right, subject to the provisions of this Agreement, to freely exploit, transfer, license or encumber its rights in any Joint Patents without the consent of, or payment or accounting to, the other party.

8.1.2 Ownership of Regulatory Documentation. All Regulatory Documentation with respect to the Product will be owned by OncoGenex.

Section 8.2 **Prosecution of Patents.**

8.2.1 Isis Rights. Isis will have the sole right, at its cost and expense and at its sole discretion, to obtain, prosecute and maintain throughout the world the Isis Patent Rights, including, but not limited to the Isis Core Technology Patents and the Isis Manufacturing Patents, but excluding the Product-Specific Technology Patents and the Joint Patents. Isis will keep OncoGenex informed of the status of all Isis Core Technology Patents and Isis Manufacturing Patents by way of an annual listing and reasonably detailed written status report.

8.2.2 OncoGenex Rights. OncoGenex will have the sole right, at its cost and expense and at its sole discretion, to file, obtain, prosecute and maintain throughout the world any OncoGenex Technology Patents, Product-Specific Technology Patents and the Joint Patents.

8.2.3 Cooperation. Each Party will cooperate in the preparation, filing, prosecution, and maintenance of the other Party's Patents, the Product-Specific Technology Patents and the Joint Patents, as required. Such cooperation includes promptly executing all papers and instruments and requiring employees to execute such papers and instruments as reasonable and appropriate so as to enable such other Party, to file, prosecute, and maintain its Patents in any country.

Section 8.3 **Enforcement of Patents.**

8.3.1 Rights and Procedures. If Isis or OncoGenex determines that any Isis Patent Rights or OncoGenex Patent Rights are being infringed by a Third Party's activities and that such infringement could affect the exercise by OncoGenex of its rights under this Agreement, it will promptly notify the other Party in writing and provide such other Party with any evidence of such infringement that is reasonably available.

(a) Isis Core Technology Patents and Isis Manufacturing Patents. Subject to 8.3.1(e) Isis will have the sole right, but not the obligation, at its own expense, to remove infringement of Isis Core Technology Patents and Isis Manufacturing Patents using commercially appropriate steps, including the filing of an infringement suit or taking other similar action, and OncoGenex or a Third Party licensee of the Product will have the right, at its own expense, to be represented in any such action; *provided, however*, that (i) if Isis fails to bring an action or proceeding within ninety (90) days following notice of such infringement, or earlier notifies OncoGenex or a Third Party licensee of the Product in writing of its intent not to take such steps, and (ii) the infringement is likely to have a material adverse effect on OncoGenex' or a sub-licensee' development, manufacture, production, release or commercialization of the Product, then OncoGenex and/or the Third Party licensee of the Product will meet with Isis to determine whether to defend against such infringement, and if the Parties mutually agree in writing to proceed in defending such infringement, Isis will remove the infringement using commercially appropriate steps, and OncoGenex or the Third Party will share in the reasonable costs incurred relating to the removal of any such infringement on an equal basis. If however, (i) the Parties cannot mutually agree in writing to proceed in removing such infringement, (ii) the product in question is a Competing Product, and (iii) OncoGenex requests in writing that Isis remove such infringement (an "OncoGenex Mandate"), then Isis (at OncoGenex' sole expense) will remove the infringement using commercially appropriate steps. In either case, Isis may not settle, or otherwise consent to an adverse judgment in, such infringement that diminishes the rights or interests of OncoGenex without the prior express written consent of OncoGenex.

(b) In the event of an (i) OncoGenex Mandate (ii) Isis refuses to remove the infringement in a country using commercially appropriate steps (as determined, if necessary, in accordance with the dispute resolution provisions in Section 13.15) and (iii) such Competing Product is actually being sold in such country, then the [***].

(c) OncoGenex Technology Patents. Subject to 8.3.1(e) OncoGenex will have the sole right, but not the obligation, at its own expense, to remove infringement of OncoGenex Technology Patents using commercially appropriate steps, including the filing of an infringement suit or taking other similar action, and Isis will have the right, at its own expense, to be represented in any such action.

(d) Product-Specific Technology Patents and Joint Patents. Subject to 8.3.1(e) OncoGenex will have the sole right, but not the obligation, at its own expense, to remove infringement of Product-Specific Technology Patents and Joint Patents using commercially appropriate steps, including the filing of an infringement suit or taking other similar action, and Isis will have the right, at its own expense, to be represented in any such action; *provided, however*, that if the Product has not been sublicensed to a Third Party and OncoGenex fails to bring an action or proceeding within ninety (90) days following notice of such infringement, or earlier notifies Isis in writing of its intent not to take such steps, Isis will have the right to do so at its expense, and OncoGenex will have the right, at its own expense, to be represented in any such action. Notwithstanding the foregoing, if the infringement is likely to have a material adverse effect on Isis' economic interest in the Product's development or commercialization, Isis and OncoGenex will meet to determine whether to defend against such infringement, and if the Parties mutually agree to proceed in defending such infringement, OncoGenex will remove the infringement using commercially appropriate steps, and Isis and OncoGenex will share in the reasonable costs incurred relating to the removal of any such infringement on an equal basis.

(e) Cooperation. The Party not enforcing the applicable Patent will provide reasonable assistance to the other Party, including, but not limited to, providing access to relevant documents and other evidence, making its employees available at reasonable business hours, and joining the action to the extent necessary to allow the enforcing Party to maintain the action.

8.3.2 Recovery. Any amounts recovered by either or both Parties, including Third Party licensees in connection with or as a result of any action contemplated by Section 8.3.1, whether by settlement or judgment, will be used to reimburse the Parties, including Third Party licensees for their reasonable costs and expenses in making such recovery (which amounts will be allocated pro rata if insufficient to cover the totality of such expenses). Furthermore, if Isis is enforcing Party under Section 8.3.1(a) or OncoGenex is the enforcing party, after reimbursing the Parties in accordance with the preceding sentence, OncoGenex will retain any remainder of the recovery as Net Sales and royalties will be payable by OncoGenex to Isis with respect to such Net Sales in accordance with this Agreement. If Isis is the enforcing party other than as set forth in Section 8.3.1(a), after reimbursing the Parties in accordance with the first sentence of this Section, any remainder will be kept by Isis.

Section 8.4 **Third Party Litigation.** In the event that a Third Party institutes a patent infringement suit (including any suit alleging the invalidity or unenforceability of the Patents of a Party) against either Party or Third Party licensees during the Term of this Agreement, alleging that any of the activities hereunder infringes one or more patent or other intellectual property rights held by such Third Party (an "Infringement Suit"), the Parties will cooperate with one another in defending such suit. Isis will have the sole right to control any defense of any such claim involving alleged infringement of Third Party rights by Isis' activities at its own expense and by counsel of its own choice, and OncoGenex will have the right, at its own expense, to be represented in any such action by counsel of its own choice. OncoGenex will have the sole right to control any defense of any such claim involving alleged infringement of Third Party rights by OncoGenex' activities, or that relates to the development, manufacture, production, release and commercialization of the Product, at its own expense and by counsel of its own choice, and Isis will have the right, at its own expense, to be represented in any such action by additional counsel of its own choice at its own expense.

***Section 8.5* No Challenge.** During the term of this Agreement, OncoGenex, its Affiliates and sublicensees will not, directly or indirectly, and will not collaborate with, or otherwise authorize any Third Party to challenge any Isis Patent Rights licensed by Isis to OncoGenex under this Agreement, including through opposition, re-examination, nullity or revocation proceeding, or other available administrative mechanism; provided, however, that, notwithstanding the foregoing, OncoGenex, its Affiliates and sublicensees shall have the right to comply with a subpoena duly issued in good faith by a Third Party, court or administrative order, or similar legal process for testimony or the production of documents.

ARTICLE 9
TERM AND TERMINATION

***Section 9.1* Term.** The term of this Agreement (the "Term") will continue in effect until such time as any Product is no longer being developed, manufactured, produced, released or commercialized hereunder, or unless terminated at an earlier date in accordance with the terms and conditions set forth in this Article 9. Isis will have the right to terminate this Agreement and/or any license granted by it hereunder solely in accordance with Article 12.

***Section 9.2* Rights in Bankruptcy.** All rights and licenses granted under or pursuant to this Agreement by Isis to OncoGenex are, and will otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101 of the United States Bankruptcy Code. The Parties agree that OncoGenex, as a licensee of such rights under this Agreement, will retain and may fully exercise all of its rights and elections under the United States Bankruptcy Code. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against Isis under the United States Bankruptcy Code, OncoGenex will be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, which, if not already in OncoGenex' possession, will be promptly delivered to it (a) upon any such commencement of a bankruptcy proceeding upon OncoGenex' written request therefor, unless Isis elects to continue to perform all of its obligations under this Agreement or (b) if not delivered under clause (a) above, following the rejection of this Agreement by or on behalf of Isis upon written request therefor by OncoGenex.

***Section 9.3* Consequences of Expiration or Termination.**

9.3.1 Licenses. Upon expiration of the Term of this Agreement in accordance with Section Section 9.1 and payment of all amounts owed pursuant to this Agreement, the licenses granted by Isis to OncoGenex hereunder will terminate.

9.3.2 Return of Information and Materials. Upon expiration of this Agreement pursuant to Section Section 9.1 or upon termination of this Agreement in its entirety by either Party pursuant to this Article 9, each Party, at the request of the other Party, will return all data, files, records and other materials in its possession or control relating to such other Party's Technology, or containing or comprising such other Party's Information and Inventions or other Confidential Information and, in each case, to which the returning Party does not retain rights hereunder (except one copy of which may be retained for archival purposes). Notwithstanding the foregoing, each Party may retain one (1) copy of the other Party's Confidential Information for its legal archives.

Section 9.4 **Accrued Rights; Surviving Obligations.**

9.4.1 Accrued Rights. Termination or expiration of this Agreement for any reason will be without prejudice to any rights or financial compensation that will have accrued to the benefit of a Party prior to such termination or expiration. Such termination or expiration will not relieve a Party from obligations that are expressly indicated to survive the termination or expiration of this Agreement.

9.4.2 Survival. Articles 7, 10, 12 and 13 of this Agreement, and Sections 4.2.1, 6.10, 8.1, 9.3, 9.4 and 11.4 will survive expiration or termination of this Agreement for any reason.

ARTICLE 10
INDEMNIFICATION AND INSURANCE

Section 10.1 **Indemnification of Isis.** OncoGenex will indemnify Isis, and their respective directors, officers, employees and agents, and defend and hold each of them harmless, from and against any and all losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) but only to the extent arising from or occurring as a result of any and all liability suits, investigations, claims, demands or actions by a Third Party (collectively, "Losses" and each a "Loss") to the extent arising from or occurring as a result of (a) whether or not negligence is found, the development, manufacture, use, handling, storage, sale or other commercialization or disposition of OGX-011 or any Product by OncoGenex or its Affiliates or licensees, (b) any material breach by OncoGenex of this Agreement, or (c) the gross negligence or willful misconduct on the part of OncoGenex or its licensees or sublicensees in performing any activity contemplated by this Agreement, except for those Losses for which Isis has an obligation to indemnify OncoGenex pursuant to Section 10.2, as to which Losses each Party will indemnify the other to the extent of their respective liability for the Losses.

Section 10.2 **Indemnification of OncoGenex.** Isis will indemnify OncoGenex, and their respective directors, officers, employees and agents, and defend and save each of them harmless, from and against any and all Losses to the extent arising from or occurring as a result of (a) any material breach by Isis of this Agreement, or (b) the gross negligence or willful misconduct on the part of Isis or its licensees or sublicensees in performing any activity contemplated by this Agreement, except for those Losses for which OncoGenex has an obligation to indemnify Isis pursuant to Section 9.1, as to which Losses each Party will indemnify the other to the extent of their respective liability for the Losses.

Section 10.3 **Indemnification Procedure.**

10.3.1 Notice of Claim. The indemnified Party will give the indemnifying Party prompt written notice (an "Indemnification Claim Notice") of any Loss upon which such indemnified Party intends to base a request for indemnification under Section 10.1 or Section 10.2, but in no event will the indemnifying Party be liable for any Losses that result from any delay in providing such notice. Each Indemnification Claim Notice must contain a description of the Loss and the nature and amount of such Loss (to the extent that the nature and amount of such Loss are known at such time). The indemnified Party will furnish promptly to the indemnifying Party copies of all papers and official documents received in respect of such Loss. All indemnification claims in respect of a Party, its Affiliates or their respective directors, officers, employees and agents (collectively, the "Indemnitees" and each an "Indemnitee") will be made solely by such Party to this Agreement (the "Indemnified Party").

10.3.2 Third Party Claims. The obligations of an indemnifying Party under this Article 10 with respect to Losses arising from claims of any Third Party that are subject to indemnification as provided for in Section 10.1 or 10.2 (a "Third Party Claim") will be governed by and be contingent upon the following additional terms and conditions:

(a) Control of Defense. At its option, the indemnifying Party may assume the defense of any Third Party Claim by giving written notice to the Indemnified Party within 30 days after the indemnifying Party's receipt of an Indemnification Claim Notice. The assumption of the defense of a Third Party Claim by the indemnifying Party will not be construed as an acknowledgment that the indemnifying Party is liable to indemnify any Indemnitee in respect of the Third Party Claim, nor will it constitute a waiver by the indemnifying Party of any defenses it may assert against any Indemnitee's claim for indemnification. Upon assuming the defense of a Third Party Claim, the indemnifying Party may appoint as lead counsel in the defense of the Third Party Claim any legal counsel selected by the indemnifying Party. In the event the indemnifying Party assumes the defense of a Third Party Claim, the Indemnified Party will immediately deliver to the indemnifying Party all original notices and documents (including court papers) received by any Indemnitee in connection with the Third Party Claim. Should the indemnifying Party assume the defense of a Third Party Claim, the indemnifying Party will not be liable to the Indemnified Party or any other Indemnitee for any legal expenses subsequently incurred by such Indemnified Party or other Indemnitee in connection with the analysis, defense or settlement of the Third Party Claim. In the event that it is ultimately determined that the indemnifying Party is not obligated to indemnify, defend or hold harmless an Indemnitee from and against the Third Party Claim, the Indemnified Party will reimburse the indemnifying Party for any and all costs and expenses (including attorneys' fees and costs of suit) and any Losses incurred by the indemnifying Party in its defense of the Third Party Claim with respect to such Indemnitee.

(b) Right to Participate in Defense. Without limiting Section 10.3.2(a), any Indemnitee will be entitled to participate in, but not control, the defense of such Third Party Claim and to employ counsel of its choice for such purpose; *provided, however*, that such employment will be at the Indemnitee's own expense unless (i) the employment thereof has been specifically authorized by the indemnifying Party in writing, or (ii) the indemnifying Party has failed to assume the defense and employ counsel in accordance with Section 10.3.2(a) (in which case the Indemnified Party will control the defense).

(c) Settlement. With respect to any Losses relating solely to the payment of money damages in connection with a Third Party Claim and that will not result in the Indemnitee's becoming subject to injunctive or other relief or otherwise adversely affect the business of the Indemnitee in any manner, and as to which the indemnifying Party will have acknowledged in writing the obligation to indemnify the Indemnitee hereunder, the indemnifying Party will have the sole right to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Loss, on such terms as the indemnifying Party, in its sole discretion, will deem appropriate. With respect to all other Losses in connection with Third Party Claims, where the indemnifying Party has assumed the defense of the Third Party Claim in accordance with Section 9.3.2(a), the indemnifying Party will have authority to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Loss provided it obtains the prior written consent of the Indemnified Party (which consent will not be unreasonably withheld or delayed). The indemnifying Party will not be liable for any settlement or other disposition of a Loss by an Indemnitee that is reached without the written consent of the indemnifying Party. Regardless of whether the indemnifying Party chooses to defend or prosecute any Third Party Claim, no Indemnitee will admit any liability with respect to, or settle, compromise or discharge, any Third Party Claim without the prior written consent of the indemnifying Party.

(d) Cooperation. Regardless of whether the indemnifying Party chooses to defend or prosecute any Third Party Claim, the Indemnified Party will, and will cause each other Indemnitee to, cooperate in the defense or prosecution thereof and will furnish such records, information and testimony, provide such witnesses and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested in connection therewith. Such cooperation will include access during normal business hours afforded to the indemnifying Party to, and reasonable retention by the Indemnified Party of, records and information that are reasonably relevant to such Third Party Claim, and making Indemnitees and other employees and agents available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder, and the indemnifying Party will reimburse the Indemnified Party for all its reasonable out-of-pocket expenses in connection therewith.

(e) Expenses. Except as provided above, the reasonable and verifiable costs and expenses, including fees and disbursements of counsel, incurred by the Indemnified Party in connection with any claim will be reimbursed on a calendar quarter basis by the indemnifying Party, without prejudice to the indemnifying Party's right to contest the Indemnified Party's right to indemnification and subject to refund in the event the indemnifying Party is ultimately held not to be obligated to indemnify the Indemnified Party.

Section 10.4 **Insurance.** OncoGenex shall maintain product liability insurance with respect to the development, manufacture and sale of Products hereunder by OncoGenex in such amount as OncoGenex customarily maintains with respect to the development, manufacture and sale of its similar products, but at a minimum an amount that is customarily maintained by similar companies in the life sciences industry with respect to the development, manufacture and sale of similar products. OncoGenex shall maintain such insurance for so long as it continues to develop, manufacture or sell any Product, and thereafter for so long as OncoGenex customarily maintains insurance covering the development, manufacture or sale of its similar products. Upon Isis' request, OncoGenex will provide Isis with a certificate of insurance evidencing such insurance.

ARTICLE 11
REPRESENTATIONS AND WARRANTIES

Section 11.1 **Representations, Warranties and Covenants.** Each Party hereby represents, warrants and covenants to the other Party as of the Amendment Effective Date as follows:

11.1.1 Corporate Authority. Such Party (a) has the power and authority and the legal right to enter into this Agreement and perform its obligations hereunder, and (b) has taken all necessary action on its part required to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement has been duly executed and delivered on behalf of such Party and constitutes a legal, valid and binding obligation of such Party and is enforceable against it in accordance with its terms subject to the effects of bankruptcy, insolvency or other laws of general application affecting the enforcement of creditor rights and judicial principles affecting the availability of specific performance and general principles of equity, whether enforceability is considered a proceeding at law or equity.

11.1.2 Litigation. Such Party is not aware of any pending or threatened litigation (and has not received any communication) that alleges that such Party's activities related to this Agreement have violated, or that by conducting the activities as contemplated herein such Party would violate, any of the intellectual property rights of any other party.

11.1.3 Consents, Approvals, etc. All necessary consents, approvals and authorizations of all Regulatory Authorities and other parties required to be obtained by such Party in connection with the execution and delivery of this Agreement and the performance of its obligations hereunder have been obtained.

11.1.4 Conflicts. The execution and delivery of this Agreement and the performance of such Party's obligations hereunder (a) do not conflict with or violate any requirement of Applicable Law or any provision of the articles of incorporation, bylaws or any similar instrument of such Party, as applicable, in any material way, and (b) do not conflict with, violate, or breach or constitute a default or require any consent under, any contractual obligation or court or administrative order by which such Party is bound.

11.1.5 No Default. Such Party is not aware of any breach by it of any representation, warranty, or covenant in the Original Collaboration Agreement.

Section 11.2 **Additional Representations and Warranties of Isis.**

11.2.1 Isis represents and warrants to OncoGenex that Isis is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as it is contemplated to be conducted by this Agreement.

11.2.2 Isis represents and warrants to OncoGenex that the rights granted by Isis to OncoGenex as set forth in Article 4 include all necessary rights of Isis' technology, whether or not patented or patentable, which are owned or Controlled by Isis on the Amendment Effective Date and which are necessary or reasonably required for OncoGenex to research develop, make, have made, use, sell, offer for sale, have sold and import the Product. Further, Isis represents and warrants to OncoGenex that Isis has not knowingly [***] whether or not patented or patentable, to develop, make or use OGX-011 under the Original Collaboration Agreement, that Isis could not [***] of this Agreement or that (in the case of broadly commercially available reagents, equipment and software) is not otherwise available on commercially reasonable terms along with the purchase or lease of such reagents, equipment and software.

11.2.3 Isis represents and warrants to OncoGenex that (i) Section 9.6 of the [***] Agreement states that the sublicense granted by Isis to OncoGenex under the [***] Agreement will survive termination of the [***] Agreement, and (ii) Section 4.3(b) of the [***] Agreement provides that if the [***] Agreement is terminated for any reason, then [***] will promptly negotiate in good faith a direct license of the sublicensed rights, on terms substantially similar to those contained in this Agreement, with OncoGenex, unless the actions or omissions of OncoGenex were a cause for termination of the [***] Agreement.

Section 11.3 **Additional Representations and Warranties of OncoGenex.** OncoGenex represents and warrants to Isis that OncoGenex is a corporation duly organized, validly existing and in good standing under the laws of Canada, and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as it is contemplated to be conducted by this Agreement.

Section 11.4 **DISCLAIMER OF WARRANTY.** EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH IN SECTIONS 11.1, 11.2 AND 11.3, ONCOGENEX AND ISIS MAKE NO REPRESENTATIONS AND GRANT NO WARRANTIES, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, AND ONCOGENEX AND ISIS EACH SPECIFICALLY DISCLAIM ANY OTHER WARRANTIES, WHETHER WRITTEN OR ORAL, OR EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE OR ANY WARRANTY AS TO THE VALIDITY OF ANY PATENTS OR THE NON-INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES.

ARTICLE 12
BREACH

Section 12.1 **Material Breach by Isis.** Failure by Isis to comply with any of its material obligations contained herein (including, without limitation, its technology transfer obligations under Section 4.2) will entitle OncoGenex to give Isis notice specifying the nature of the material breach, requiring Isis to make good or otherwise cure such default, and stating its intention to trigger the provisions of this Article 12 if such default is not cured. If such default is not cured within ninety (90) days after the receipt of such notice (or, if such default cannot be cured within such ninety (90) day period, if Isis does not commence actions to cure such default within such period and thereafter diligently continue such actions or if such default is not otherwise cured within ninety (90) days after the receipt of such notice), then OncoGenex will be entitled to appeal to the Courts to enforce specific performance upon Isis without prejudice to any of its other rights conferred on it by this Agreement, and in addition to any other remedies available to the Courts as remedy for the breach and to continue to develop or commercialize the Product independently of Isis in accordance with this Agreement.

Section 12.2 **Breach by OncoGenex.**

12.2.1 Failure to Pay. If OncoGenex is in material breach of OncoGenex' obligation to make a payment to Isis under Article 6, then Isis may deliver written notice of such breach to OncoGenex. OncoGenex will have thirty (30) days following such notice to cure such breach. If OncoGenex receives written notice of such breach and fails to cure such breach within the 30 day period, Isis may declare a breach hereunder upon thirty (30) days advance written notice to OncoGenex and such notice will effectively terminate this Agreement upon expiration of such thirty (30) day period.

12.2.2 Discontinued Development. In the event of a Discontinuance or if OncoGenex materially breaches its diligence obligations under Section 4.4 which material breach is not cured by OncoGenex within ninety (90) days after receipt of written notice from Isis describing such material breach in reasonably specific detail, then in any such case, as Isis' sole and exclusive remedy therefor, Isis will have the right to terminate the [***] under [***] upon thirty (30) days prior written notice to OncoGenex and in such case OncoGenex will grant to Isis a worldwide license or sublicense, as the case may be, to the OncoGenex Product-Specific Technology, OncoGenex Patents, OncoGenex Technology and any Product-Specific Technology Patents assigned to OncoGenex under Section 4.2.1 (in the case of OncoGenex Patents and OncoGenex Technology that are the subject of one or more Third Party agreements, such license or sublicense shall be subject to all restrictions and obligations (including financial obligations) under such Third Party agreements) existing as of such date solely to develop, make, have made, use, sell, offer for sale, have sold and import Nonexclusive Clusterin ASOs (and any products containing such Nonexclusive Clusterin ASOs). For purposes of this Section 12.2.2, "Nonexclusive Clusterin ASOs" means ASOs that act predominantly by [***] Clusterin [***] or that are [***] to Clusterin [***] *provided, however* that Nonexclusive Clusterin ASOs will not include any ASO that (a) acts to modulate [***] Clusterin and (b) either (i) has the same [***] as OGX-011 or (ii) at the time of such Discontinuance or breach OncoGenex, its Affiliates or sublicensees had [***] (each, an "Exclusive ASO"). Within ninety (90) days following the effectiveness of any termination by Isis, pursuant to this Section 12.2.2, of the [***] OncoGenex shall provide Isis with a list describing the [***].

ARTICLE 13
MISCELLANEOUS

Section 13.1 **Force Majeure.** Except for any failure to make any payment required under Article 6, neither Party will be held liable or responsible to the other Party or be deemed to have defaulted under or breached this Agreement for failure or delay in fulfilling or performing any term of this Agreement when such failure or delay is caused by or results from events beyond the reasonable control of the non-performing Party, including fires, floods, embargoes, shortages, epidemics, quarantines, war, acts of war (whether war be declared or not), insurrections, riots, civil commotion, strikes, lockouts or other labor disturbances, acts of God or acts, omissions or delays in acting by any governmental authority. The non-performing Party will notify the other Party of such force majeure within ten (10) days after such occurrence by giving written notice to the other Party stating the nature of the event, its anticipated duration, and any action being taken to avoid or minimize its effect. The suspension of performance will be of no greater scope and no longer duration than is necessary and the non-performing Party will use Commercially Reasonable Efforts to remedy its inability to perform; *provided, however*, that in the event the suspension of performance continues for one-hundred and eighty (180) days after the date of the occurrence, the Parties will meet to discuss in good faith how to proceed in order to accomplish the development and commercialization of the Product as set forth in this Agreement.

Section 13.2 **Assignment.** Without the prior written consent of the other Party hereto, neither Party will sell, transfer, assign, delegate, pledge or otherwise dispose of, whether voluntarily, involuntarily, by operation of law or otherwise, this Agreement or any of its rights or duties hereunder; *provided, however*, that (i) either Party hereto may assign or transfer this Agreement or any of its rights or obligations hereunder without the consent of the other Party to any Third Party with which it has merged or consolidated, or to which it has transferred all or substantially all of its assets to which this Agreement relates if in any such event the Third Party assignee or surviving entity assumes in writing all of the assigning Party's obligations under this Agreement or (ii) Isis may assign or transfer its rights under Article 6 (but no liabilities) to a Third Party in connection with a royalty (or payment) factoring transaction. Any purported assignment or transfer in violation of this Section will be void *ab initio* and of no force or effect.

Section 13.3 **Severability.** If any provision of this Agreement is held to be illegal, invalid or unenforceable by a court of competent jurisdiction, such adjudication will not affect or impair, in whole or in part, the validity, enforceability, or legality of any remaining portions of this Agreement. All remaining portions will remain in full force and effect as if the original Agreement had been executed without the invalidated, unenforceable or illegal part.

Section 13.4 **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia without reference to any rules of conflicts of laws.

Section 13.5 **Notices.** All notices or other communications that are required or permitted hereunder will be in writing and delivered personally with acknowledgement of receipt, sent by facsimile (and promptly confirmed by personal delivery, registered or certified mail or overnight courier as provided herein), sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows: If to OncoGenex, to:

OncoGenex Technologies Inc.
#400 — 1001 West Broadway
Vancouver, BC V6H 4B1
Attention: President
Facsimile: (604) 736-3687

with a copy to:

Doug Seppala
DuMoulin Black LLP
10th Floor, 595 Howe Street
Vancouver, British Columbia V6C 2T5
Facsimile: (604) 687-3635

If to Isis, to:

Isis Pharmaceuticals, Inc.
1896 Rutherford Road
Carlsbad, California 92008-7208
Attention: Executive Vice President
Facsimile: (760) 268-4922

with a copy to:

Attention: General Counsel
Facsimile: (760) 603-2707

or to such other address as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith. Any such communication will be deemed to have been given (i) when delivered, if personally delivered or sent by facsimile on a Business Day, (ii) on the Business Day after dispatch, if sent by nationally-recognized overnight courier, and (iii) on the third business day following the date of mailing, if sent by mail. It is understood and agreed that this Section 13.6 is not intended to govern the day-to-day business communications necessary between the Parties in performing their duties, in due course, under the terms of this Agreement.

Section 13.6 **Entire Agreement; Modifications.** This Agreement sets forth and constitutes the entire agreement and understanding between the Parties with respect to the subject matter hereof and all prior agreements, understanding, promises and representations, whether written or oral, with respect thereto are superseded hereby, including without limitation the Original Collaboration Agreement. For clarity, the Parties acknowledge and agree that the Original Collaboration Agreement remains in effect in accordance with its terms with respect to the period between the Start Date and the Amendment Effective Date. Each Party confirms that it is not relying on any representations or warranties of the other Party except as specifically set forth herein. No amendment, modification, release or discharge will be binding upon the Parties unless in writing and duly executed by authorized representatives of both Parties.

Section 13.7 **Relationship of the Parties.** It is expressly agreed that the Parties will be independent contractors of one another and that the relationship between the Parties will not constitute a partnership, joint venture or agency. Neither Party will have the authority to make any statements, representations or commitments of any kind, or to take any action, which will be binding on the other, without the prior written consent of the other to do so. All persons employed by a Party will be employees of such Party and not of the other Party and all costs and obligations incurred by reason of any such employment will be for the account and expense of such Party.

Section 13.8 **Cooperation.** Isis will provide reasonable assistance to OncoGenex in respect of partnering discussions, financing activities and regulatory filings to support the development and commercialization of the Product. Notwithstanding the foregoing, Isis will not be required to modify or waive any provision of this Agreement in connection with partnering discussions or financing activities to support the development and commercialization of the Product.

Section 13.9 **Waiver.** Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver will be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. The waiver by either Party hereto of any right hereunder or of the failure to perform or of a breach by the other Party will not be deemed a waiver of any other right hereunder or of any other breach or failure by said other Party whether of a similar nature or otherwise.

Section 13.10 **Counterparts.** This Agreement may be executed in two (2) or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

Section 13.11 **No Benefit to Third Parties.** The representations, warranties, covenants and agreements set forth in this Agreement are for the sole benefit of the Parties hereto and their successors and permitted assigns, and they will not be construed as conferring any rights on any other parties.

Section 13.12 **Further Assurance.** Each Party will duly execute and deliver, or cause to be duly executed and delivered, such further instruments and do and cause to be done such further acts and things, including the filing of such assignments, agreements, documents and instruments, as may be necessary or as the other Party may reasonably request in connection with this Agreement or to carry out more effectively the provisions and purposes, or to better assure and confirm unto such other Party its rights and remedies under this Agreement.

Section 13.13 **References.** Unless otherwise specified, (a) references in this Agreement to any Article, Section, Schedule or Exhibit will mean references to such Article, Section, Schedule or Exhibit of this Agreement, (b) references in any section to any clause are references to such clause of such section, and (c) references to any agreement, instrument or other document in this Agreement refer to such agreement, instrument or other document as originally executed or, if subsequently varied, replaced or supplemented from time to time, as so varied, replaced or supplemented and in effect at the relevant time of reference thereto.

Section 13.14 **Construction.** Except where the context otherwise requires, wherever used, the singular will include the plural, the plural the singular, the use of any gender will be applicable to all genders and the word "or" is used in the inclusive sense (and/or). The captions of this Agreement are for convenience of reference only and in no way define, describe, extend or limit the scope or intent of this Agreement or the intent of any provision contained in this Agreement. The term "including" as used herein will mean including, without limiting the generality of any description preceding such term. The language of this Agreement will be deemed to be the language mutually chosen by the Parties and no rule of strict construction will be applied against either Party hereto. Appendices to this Agreement, or added hereto according to the terms of this Agreement, are made part of this Agreement.

Section 13.15 **Dispute Resolution Regarding Diligence.**

13.15.1 General. The Parties will negotiate in good faith and use reasonable efforts to settle any dispute, controversy or claim arising regarding whether (i) OncoGenex has satisfied its diligence obligations under Section 4.4 of this Agreement or (ii) in the event of an OncoGenex Mandate, Isis has refused to remove the applicable infringement using commercially appropriate steps, by first referring such dispute to the Chief Executive Officers of each of the Parties (or their respective designees) who will use their good faith efforts to mutually agree upon the resolution of the dispute. If any dispute is not resolved by the Chief Executive Officers of the Parties (or their designees) within 30 days after such dispute is referred to them, and a Party wishes to pursue the matter, each such dispute, controversy or claim will be finally resolved by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"), and judgment on the arbitration award may be entered in any court having jurisdiction thereof. The arbitration will be conducted by a panel of three persons experienced in the pharmaceutical business: within 30 days after initiation of arbitration, each party will select one person to act as arbitrator and the two party-selected arbitrators will select a third arbitrator within 30 days of their appointment. If the arbitrators selected by the parties are unable or fail to agree upon the third arbitrator, the third arbitrator will be appointed by the AAA. No individual shall be appointed to arbitrate a dispute pursuant to this Agreement unless he or she agrees in writing to be bound by the provisions of this Section 13.15. The place of arbitration will be Seattle, Washington. Either Party may apply to the arbitrators for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved.

13.15.2 Expenses. Except as expressly provided herein, each Party will bear its own costs and expenses and attorneys' fees and an equal share of the arbitrators' and any administrative fees of arbitration. The arbitrators shall have the authority to grant specific performance and to allocate between the Parties the costs of arbitration in such equitable manner as they determine. Notwithstanding the foregoing, if a Party has been found to be in material breach of this Agreement, the defaulting Party will be responsible for both Parties' costs and expenses (including the costs of the arbitrators and any administrative fees of arbitration) and the reasonable attorneys' fees of the non-defaulting Party.

13.15.3 Procedure. Except to the extent necessary to confirm an award or as may be required by law, neither a Party nor an arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event will an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable Province of British Columbia statute of limitations.

13.15.4 Speedy Resolution. The Parties intend, and shall take all reasonable action as is necessary or desirable to ensure, that there be a speedy resolution to any dispute which becomes the subject of arbitration, and the arbitrators shall conduct the arbitration so as to resolve the dispute as expeditiously as possible.

13.15.5 Awards. All awards shall be in writing and shall state reasons. Executed copies of all awards shall be delivered by the arbitrators to the Parties as soon as is reasonably possible. All awards of the arbitrators shall be final and binding on the Parties, and there shall be no appeal of any such award whatsoever. The Parties undertake to satisfy any award without delay.

13.15.6 Except as otherwise specified in the first sentence of Section 13.15.1, no other disputes, controversies or claims shall be subject to this Section 13.15.

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IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

OncoGenex Technologies Inc.	**ISIS Pharmaceuticals, Inc.**
Per: /s/ Scott Cormack	Per: /s/ B. Lynne Parshall
Scott D. Cormack, President & CEO	B. Lynne Parshall COO and CFO

APPENDIX A

Definitions

"Affiliate" of a party means any other party that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such first party. For purposes of this definition only, "control" and, with correlative meanings, the terms "controlled by" and "under common control with" will mean (a) the possession, directly or indirectly, of the power to direct the management or policies of a party, whether through the ownership of voting securities or by contract relating to voting rights or corporate governance, and (b) the ownership, directly or indirectly, of more than fifty percent (50%) of the voting securities or other ownership interest of a party; provided that, if local law restricts foreign ownership, control will be established by direct or indirect ownership of the maximum ownership percentage that may, under such local law, be owned by foreign interests. In addition, Regulus Therapeutics, LLC will not be considered an Affiliate of Isis.

"Applicable Law" means the applicable laws, rules, and regulations, including any rules, regulations, guidelines, or other requirements of the Regulatory Authorities, that may be in effect from time to time.

"ASO" means an antisense oligonucleotide compound (reverse of the sense strand messenger RNA), or analog, mimic or mimetic thereof, having a sequence that is at least 6 bases long and that modulates expression of a gene target via the binding, partially or wholly, of such compound to a mRNA or pre-mRNA of such gene target.

"Business Day" means any day, other than Saturday, Sunday or any statutory holiday in the Province of British Columbia or the United States.

"Calendar Year" means each successive period of 12 months commencing on January 1 and ending on December 31.

"Clusterin" means the gene target, official symbol CLU, which is also referred to as Testosterone Repressed Prostatic Message -2 (TRPM-2), and Sulphated Glycoprotein-2 (SGP-2).

"Commercialization Agreement" has the meaning set forth in 6.2.2.

"Commercially Reasonable Efforts" means, with respect to the research, development, manufacture, release or commercialization of the Product, efforts and resources commonly used in the biotechnology industry for products of similar commercial potential at a similar stage in its lifecycle, taking into consideration their safety and efficacy, cost to develop, priority in relation to other products under development by the other Party, the competitiveness of alternative products, proprietary position, the likelihood of regulatory approval, profitability, and all other relevant factors.

"Competing Product" means a product containing an ASO that (i) acts predominantly by [***] Clusterin [***] or that is [***] Clusterin [***] (ii) [***] covered by a Valid Claim within the Product-Specific Technology Patents in the relevant country, but for the expiration, invalidity, revocation or unenforceability of such Product-Specific Technology Patents (such invalidity, revocation or unenforceability as determined by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed), and (iii) [***] by a Valid Claim within the Isis Core Technology Patents in the relevant country.

"Confidential Information" means all information and know-how and any tangible embodiments thereof provided by or on behalf of one Party to the other Party either in connection with the discussions and negotiations pertaining to this Agreement or in the course of performing this Agreement, including data; knowledge; practices; processes; ideas; research plans; engineering designs and drawings; research data; manufacturing processes and techniques; scientific, manufacturing, marketing and business plans; and financial and personnel matters relating to the disclosing Party or to its present or future products, sales, suppliers, customers, employees, investors or business. For purposes of this Agreement, notwithstanding the Party that disclosed such information or know-how, all information or know-how of OncoGenex will be Confidential Information of OncoGenex, and all information and know-how of Isis will be Confidential Information of Isis.

Notwithstanding the foregoing, information or know-how of a Party will not be deemed Confidential Information for purposes of this Agreement if such information or know-how:

(a) was already known to the receiving Party, other than under an obligation of confidentiality or non-use, at the time of disclosure to such receiving Party;

(b) was generally available or known to parties reasonably skilled in the field to which such information or know-how pertains, or was otherwise part of the public domain, at the time of its disclosure to, or, with respect to know-how, discovery or development by, such receiving Party;

(c) became generally available or known to parties reasonably skilled in the field to which such information or know-how pertains, or otherwise became part of the public domain, after its disclosure to such receiving Party through no fault of the receiving Party;

(d) was disclosed to such receiving Party, other than under an obligation of confidentiality or non-use, by a Third Party who had no obligation to the Party that Controls such information and know-how not to disclose such information or know-how to others; or

(e) was independently discovered or developed prior to disclosure by such receiving Party, as evidenced by their written records, without the use of Confidential Information belonging to the Party that Controls such information and know-how.

Specific aspects or details of Confidential Information will not be deemed to be within the public domain or in the possession of a Party merely because the Confidential Information is embraced by more general information in the public domain or in the possession of such Party. Further, any combination of Confidential Information will not be considered to be in the public domain or in the possession of a Party merely because individual elements of such Confidential Information are in the public domain or in the possession of such Party unless the combination and its principles are in the public domain or in the possession of such Party.

"Control" means, with respect to any Patent or other intellectual property right, possession of the right (whether by ownership, license or otherwise), to assign, transfer, or grant a license, sublicense or other right to or under, such Patent or right as provided for herein without violating the terms of any agreement or other arrangement with any Third Party.

"Discontinuance" means OncoGenex voluntarily elects to abandon [***] developing OGX-011 and/or Products, as evidenced by a written communication from an authorized officer of OncoGenex to Isis.

"FDA" means the United States Food and Drug Administration and any successor agency thereto.

"FTE" means the equivalent of the work of one employee full time for one year (consisting of at least a total of 45.5 weeks or 1,820 hours per year (excluding vacations and holidays) of work on or directly related to the Agreement), carried out by an Isis employee. The FTE rate will be (i) [***] (U.S.) per FTE for any of the following activities: drug substance manufacturing; analytical chemistry; process chemistry; formulation; raw material ordering and handling; quality control; or manufacturing technology transfer; and (ii) [***] (U.S.) per FTE for any of the following activities: toxicology; pharmacokinetics/metabolism; regulatory; clinical development; or data management. These FTE rates will be adjusted upward on a Calendar Year basis commencing January 1, 2009 (and on January 1 of each year thereafter during the Term of this Agreement) by a factor which reflects [***] for [***] during the Term of the Agreement when compared to the [***] in the preceding year.

"GAAP" means generally accepted accounting principles of the United States consistently applied.

"Generic Product(s)" means a product or products containing an active ingredient having the same or substantially the same chemical structure as the applicable ASO targeting Clusterin that is the active ingredient contained in the applicable Product, whether approved under an NDA, ANDA, an application under 505(b)(2), or any equivalent thereof, or otherwise by a Regulatory Authority within the applicable country.

[***] means [***], a biotech company with head office in [***].

[***]

[***] means those patents listed in Appendix B.

"Improvements" means any enhancement or improvement (in each case, whether or not patented or patentable) to the Isis Core Technology or the Isis Manufacturing Technology.

"Isis Core Technology" means any discovery, invention, composition, method, process, procedure, data, information, know-how or other technology (in each case, whether or not patented or patentable) that is Controlled by Isis as of the Amendment Effective Date and that either (i) was not conceived, discovered, developed or otherwise made under or in connection with the Original Collaboration Agreement, and the application of which has utility only with respect to Products, or (ii) is necessary or useful for the development or commercialization of Products, and the application of which has utility both with respect to Products and other compositions. Isis Core Technology excludes the Isis Manufacturing Technology and Product-Specific Technology.

"Isis Core Technology Patents" means Patents Controlled by Isis that claim the Isis Core Technology on the Amendment Effective Date; *provided however* that Isis Core Technology Patents excludes the Isis Manufacturing Patents and Product-Specific Technology Patents. The Isis Core Technology Patents include, but are not limited to, the patents listed on Appendix D attached hereto.

"Isis Manufacturing Patents" means Patents Controlled by Isis that claim the manufacturing production and release processes (a) that were used to manufacture MOE Gapmers on the Amendment Effective Date and embodied in the [***], or (b) that are Controlled by Isis on or after the Amended Effective Date and otherwise are necessary, or are required by a Regulatory Authority, to be used in the manufacture of a Product. The Isis Manufacturing Patents are listed on Appendix E attached hereto. Manufacturing for this purpose includes synthesis, purification and analysis.

"Isis Manufacturing Technology" means (a) the Isis Manufacturing Patents, (b) the Release Method, and (c) all other trade secret, know-how or other information or technology (i) that is Controlled by Isis as of the Amendment Effective Date and is applicable to the manufacture, production or release processes for the Product and embodied in the [***] or (ii) that is Controlled by Isis after the Amendment Effective Date and otherwise is necessary, or is required by a Regulatory Authority, to be used in the manufacture of a Product.

"Isis Patent Rights" means Isis Core Technology Patents and Isis Manufacturing Patents.

"Joint Patents" means all Patents that claim, cover or disclose the Joint Technology.

"Joint Technology" means any discovery, invention, composition, method, process, procedure, data, information, trade secret, know-how or other technology (in each case, whether or not patented or patentable) which is conceived, discovered, developed or otherwise made jointly by Isis and OncoGenex (as determined in accordance with U.S. patent law). Joint Technology excludes the Product-Specific Technology.

"MOE Gapmer" means "2'MOE Gapmers" or an antisense phosphorothioate oligonucleotide of 15-30 nucleotides wherein all of the backbone linkages are modified by adding a sulfur at the non-bridging oxygen (phosphorothioate) and a stretch of at least 10 consecutive nucleotides remain unmodified (deoxy sugars) and the remaining nucleotides contain an O'-methyl O'-ethyl substitution at the 2' position (MOE).

"Net Sales" means the gross invoice price of the Product sold by OncoGenex and sublicensees to a Third Party which is not a sublicensee of the selling party (unless such sublicensee is the end user of the Product, in which case the amount billed therefor will be deemed to be the amount that would be billed to a Third Party in an arm's-length transaction) for sales of such Product to such end users less the following items, as allocable to such Product (if not previously deducted from the amount invoiced): (i) cash, quantity and trade discounts, credits, allowances or other price reductions for such Product given to such end user, (ii) credits, discounts, rebates, chargebacks or allowances additionally granted (A) upon returns, rejections or recalls (except where any such recall arises out of the Party or its sublicensee's gross negligence, willful misconduct or fraud) or (B) for nonconforming, damaged, out-dated and returned Product, (iii) freight, shipping and insurance charges, (iv) taxes, duties, tariffs, surcharges or other governmental charges (other than income taxes), (v) government mandated rebates, and (vi) a reasonable allowance for uncollectible or bad debts determined in accordance with generally accepted accounting principles consistently applied.

"Nonexclusive Clusterin ASO" has the meaning set forth in Section 12.2.2.

"Non-Royalty Revenue" means all Revenue received by OncoGenex with the exception of Royalty Revenue and OncoGenex Direct Sales.

[***]

[***]

[***]

"OGX-011" means an antisense inhibitor of Clusterin having the sequence [***] where underlined residues are 2'-methoxyethylnucleosides (MOE) and phosphorothioate linkages throughout, also referred to as OGX-011 or ISIS 112989.

"OncoGenex Direct Sales" means Net Sales made by OncoGenex to a Third Party which is not a sublicensee of OncoGenex.

"OncoGenex Patent Rights" means any Patents Controlled by OncoGenex.

"OncoGenex Technology" means any discovery, invention, composition, method, process, procedure, data, information, trade secret, know-how or other technology (in each case, whether or not patented or patentable) that is Controlled by OncoGenex and that is or relates to an ASO targeting Clusterin or a method of using an antisense inhibitor of Clusterin, or otherwise is necessary or useful for the development, manufacture, production or commercialization of Products. OncoGenex Technology excludes Product-Specific Technology.

"OncoGenex Technology Patents" means all Patents that claim, cover or disclose the OncoGenex Technology.

"Patents" will include (i) all U.S. patents and patent applications, (ii) any substitutions, divisions, continuations, continuations-in-part, reissues, renewals, registrations, confirmations, re-examinations, extensions, supplementary protection certificates and the like, and any provisional applications, of any such patents or patent applications, and (iii) any foreign or international equivalent of any of the foregoing.

"Permitted License" means a license under the Isis Core Technology Patents or the Isis Manufacturing Patents (but not under the Product-Specific Technology Patents) (i) granted by Isis to a Third Party to use ASOs solely to conduct such Third Party's own internal Research, or (ii) granted by Isis to a Third Party (provided that such Third Party is [***] and neither such Third Party nor any of its Affiliates is [***] to manufacture ASOs solely for unaffiliated third parties; *provided, however*, in each case, any such ASOs are not specified in such license or a related document to be ASOs (a) that act predominantly by [***] Clusterin [***] or (b) that are [***] Clusterin [***] or products containing such ASOs. For purposes of clarification, a Permitted License shall not permit Isis or its Affiliates to supply to a Third Party ASOs that act predominantly by [***] Clusterin [***] or that are [***] Clusterin [***] or products containing such ASOs.

"Product" means any pharmaceutical preparation (in intravenous, subcutaneous, oral or any other formulation) containing as the sole active pharmaceutical ingredient either (a) OGX-011, or (b) any other ASO targeting Clusterin that either (i) was identified under the Original Collaboration Agreement or (ii) is identified under Section 4.1.3. For clarity, the Product may be used in association with other products such as chemotherapy, hormone ablation therapy and radiation therapy and the immediately preceding sentence does not limit such intended use.

"Product-Specific Technology" means any discovery, invention, composition, method, process, procedure, data, information, trade secret, know-how or other technology (in each case, whether or not patented or patentable) which is conceived, discovered, developed or otherwise made solely by Isis or OncoGenex, or jointly by Isis and OncoGenex, under or in connection with the Original Collaboration Agreement or this Agreement, and the application of which has utility only with respect to Products. For purposes of clarification Product-Specific Technology excludes the Isis Manufacturing Technology and Isis Core Technology.

"Product-Specific Technology Patents" means all Patents that claim, cover or disclose Product-Specific Technology. Product-Specific Technology Patents include, but are not limited to the patents listed on Appendix G attached hereto. For purposes of clarification, any Product-Specific Technology Patents assigned to OncoGenex as set forth in Section 4.2.1 or 8.2.2 will still be considered Product-Specific Technology Patents for determining the royalty term and applicable royalty rates under Article 6.

"**Qualified Partner"** means a corporation or other entity (a) whose primary business is the commercialization of pharmaceutical products, (b) which, on its own or in connection with a Third Party, does not operate a contract oligonucleotide manufacturing business and (c) is approved as Qualified Partner by Isis at the request of OncoGenex (or its Affiliate), such approval not to be unreasonably withheld.

"Registration Clinical Trial" means a clinical study (whether or not denominated as a "Phase III" clinical study under applicable regulations) in human patients that is of size and design appropriate to establish that the Product is safe and effective for its intended use, to define warnings, precautions and adverse reactions that are associated with the Product in the dosage range to be prescribed, and to support approval from the applicable Regulatory Authority sufficient for the manufacture, distribution, use and sale of the Product in such jurisdiction in accordance with Applicable Laws.

"Regulatory Authority" means any applicable government entities regulating or otherwise exercising authority with respect to the development and commercialization of the Product.

"Regulatory Documentation" means all applications, registrations, licenses, authorizations and approvals (including all regulatory approvals), all correspondence submitted to or received from Regulatory Authorities (including minutes and official contact reports relating to any communications with any Regulatory Authority), all supporting documents and all clinical studies and tests, including the manufacturing batch records, relating to the Product, and all data contained in any of the foregoing, including all regulatory drug lists, advertising and promotion documents, adverse event files and complaint files.

"Release Method" means the methods used by Isis as at the Amendment Effective Date for the release of OGX-011 utilizing liquid chromatography – mass spectrometry and specified in Specification outlined in [***].

"Research" means *in vitro* or *in vivo* research, excluding any and all uses in humans.

"Revenue" means all revenues, receipts, monies, and the fair market value of all other consideration directly or indirectly collected or received whether by way of cash or credit or any barter, benefit, advantage, or concession received OncoGenex relating to the sale, license or any other commercial transaction involving the Product, with the exception of the following: (i) any consideration received for the reimbursement for research and development activities and (ii) any consideration received for the fair market portion of any sale of equity or quasi-equity securities including, without limitation, common shares and preferred shares.

"Royalty Due Date" means March 31, June 30, September 30 and December 31 of each year during the term of this Agreement.

"Royalty Revenue" means, with respect to a Product in a country, all Revenue received by OncoGenex that is based on a percentage of Net Sales of such Product by a Third Party sublicensed to sell such Product in such country.

"Start Date" means November 16, 2001.

"Supply Chain Network" will include the names, contact information, and supply description of all providers, whether currently used or alternative preferred suppliers as of the Amendment Effective Date, and who supply modified and unmodified nucleotides, solid support and other reagents and raw materials specified in the Isis Manufacturing Technology.

"Third Party" means any party other than Isis or OncoGenex.

"Third Party Payments" means royalties, milestones, and other payments owing to Third Parties, including payments as set forth in Section 6.3 and Section 6.5.

"Valid Claim" means either (a) a claim of an issued and unexpired patent included within the Isis Patent Rights, which has not been held permanently revoked, unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, and which has not been admitted to be invalid or unenforceable through reissue or disclaimer or otherwise or (b) a claim of a pending patent application included within the Isis Patent Rights, which was filed in good faith and has not been abandoned, finally rejected or expired without the possibility of appeal or refiling, provided however, that Valid Claim will exclude any such pending claim in an application that has not been granted within (x) [***] years following the earliest filing date for such application in the United States (unless and until such claim is granted), and (y) [***] years following the earliest filing date for such application outside of the United States (unless and until such claim is granted).

APPENDIX B

[***]

	Docket #	Country/Treaty	Patent/ Application #	Title	Issue Date
[***]					
	[***]	[***]	[***]	[***]	[***]

APPENDIX C

[***]

Assignee	Docket #	Country/Treaty	Patent/ Application #	Title	Issue Date
[***]					
	[***]	[***]	[***]	[***]	[***]

APPENDIX D

Isis Core Technology Patents

Assignee	Docket #	Country/Treaty	Patent/ Application #	Title	Issue Date
ISIS					
	[***]	[***]	[***]	[***]	[***]

APPENDIX E

Isis Manufacturing Patents

Technology	Docket #	Country/Treaty	Patent/ Application #	Title	Filing Date
[***]	[***]	[***]	[***]	[***]	[***]

APPENDIX F

[***]

APPENDIX G

Product-Specific Technology Patents

Docket No.	Country	Patent/ Applicaion #	Filing Date	Issue Date	Title
[***]	[***]	[***]	[***]	[***]	[***]

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

OncoGenex Technologies Inc., incorporated under the federal laws of Canada

OncoGenex, Inc., incorporated under the laws of the State of Washington, United States

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-56933) pertaining to the OncoGenex Pharmaceuticals, Inc. Incentive Stock Option, Nonqualified Stock Option and Restricted Stock Purchase Plan-1991;

(2) Registration Statement (Form S-8 No. 333-87897) pertaining to the OncoGenex Pharmaceuticals, Inc. Incentive Stock Option, Nonqualified Stock Option and Restricted Stock Purchase Plan-1991, 1995 Stock Option Plan for Directors, Employee Stock Purchase Plan, and1999 Nonqualified Stock Incentive Plan;

(3) Registration Statement (Form S-8 No. 333-49892) pertaining to the OncoGenex Pharmaceuticals, Inc. 1999 Nonqualified Stock Incentive Plan and 2000 Stock Incentive Plan;

(4) Registration Statement (Form S-8 No. 333-56704) pertaining to the OncoGenex Pharmaceuticals, Inc. 2000 Stock Incentive Plan and 401(k) Profit Sharing Plan and Trust;

(5) Registration Statement (Form S-8 No. 333-135697) pertaining to the OncoGenex Pharmaceuticals, Inc. 2000 Stock Incentive Plan;

(6) Registration Statement (Form S-8 No. 333-144552) pertaining to the OncoGenex Pharmaceuticals, Inc., 2007 Performance Incentive Plan and 401(k) Profit Sharing Plan and Trust;

(7) Registration Statement (Form S-8 No. 333-153206) pertaining to the OncoGenex Technologies, Inc. Amended and Restated Stock Option Plan

(8) Registration Statement (Form S-3 No. 333-128030) pertaining to the registration for resale of shares of common stock of OncoGenex Pharmaceuticals, Inc. and in the related Prospectus;

of our report dated February 25, 2009, with respect to the consolidated financial statements of OncoGenex Pharmaceuticals, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2008.

/s/ Ernst & Young LLP
Vancouver, Canada
February 25, 2009

Exhibit 31.1

Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934

I, Scott Cormack, certify that:

1. I have reviewed this annual report on Form 10-K of OncoGenex Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2009

/s/ SCOTT CORMACK
Scott Cormack
President and Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934

I, Stephen Anderson, certify that:

1. I have reviewed this annual report on Form 10-K of OncoGenex Pharmaceuticals, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2009

/s/ STEPHEN ANDERSON
Stephen Anderson
Chief Financial Officer and Secretary

Exhibit 32.1

Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Scott Cormack, President and Chief Executive Officer of OncoGenex Pharmaceuticals, Inc. (the "Company"), certify, pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K of the Company for the annual period ended December 31, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 780(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 11, 2009

/s/ SCOTT CORMACK
Scott Cormack
President and Chief Executive Officer

Exhibit 32.2

Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Stephen Anderson, Secretary and Chief Financial Officer of OncoGenex Pharmaceuticals, Inc. (the "Company"), certify, pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-K of the Company for the annual period ended December 31, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 780(d)); and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 11, 2009

/s/ STEPHEN ANDERSON
Stephen Anderson
Chief Financial Officer and Secretary