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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010

or

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

FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission file number 033-80623

OncoGenex Pharmaceuticals, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**95-4343413**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

1522 217 th Place SE, Suite 100, Bothell, Washington 98021
(Address of Principal Executive Offices)

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

Indicate by check 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 reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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 definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☑	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding at August 1, 2010**
Common Stock, $0.001 par value	6,444,233

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

OncoGenex Pharmaceuticals, Inc.

Consolidated Balance Sheets
(Unaudited)
(In thousands of U.S. dollars)

	June 30, 2010	December 31, 2009
	$	$
ASSETS		
Current		
Cash and cash equivalents *[note 4]*	33,011	62,051
Restricted cash *[note 4 and note 7]*	502	—
Short-term investments *[note 4]*	14,293	2,517
Amounts receivable	413	3,109
Prepaid expenses	2,341	722
Total current assets	**50,560**	**68,399**
Property and equipment, net	73	72
Other assets	509	509
Total assets	**51,142**	**68,980**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	1,667	14,453
Deferred Collaboration Revenue *[note 3]*	10,000	10,000
Current portion of long-term obligations *[note 6]*	1,278	1,328
Total current liabilities	**12,945**	**25,781**
Deferred Collaboration Revenue, less current portion *[note 3]*	14,135	16,528
Long-term obligation *[note 6]*	3,163	3,712
Total liabilities	**30,243**	**46,021**
Commitments and contingencies *[note 7]*		
Shareholders' equity:		
Common shares *[note 5]*:		
$0.001 par value 25,000,000 shares authorized and 6,441,676 issued and outstanding at June 30, 2010 and 6,324,033 issued and outstanding at December 31, 2009	6	6
Additional paid-in capital	74,628	73,798
Accumulated deficit	(56,375)	(53,485)
Accumulated other comprehensive income	2,640	2,640
Total shareholders' equity	**20,899**	**22,959**
Total liabilities and shareholders' equity	**51,142**	**68,980**
Subsequent events [note 9]		

See accompanying notes.

OncoGenex Pharmaceuticals, Inc.

Consolidated Statements of Operations
(Unaudited)
(In thousands of U.S. dollars, except per share and share amounts)

	Three months Ended June 30,		Six months Ended June 30,	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
COLLABORATION REVENUE *[note 3]*	1,701	—	6,401	—
EXPENSES				
Research and development	3,079	3,588	9,459	5,282
General and administrative	1,475	1,003	2,825	1,785
Total expenses	4,554	4,591	12,284	7,067
OTHER INCOME (EXPENSE)				
Interest income	14	3	19	36
Other	(7)	31	(26)	55
Total other income (expense)	7	34	(7)	91
Loss for the period before income taxes	2,846	4,557	5,890	6,976
Income tax expense (recovery) *[note 3]*	(3,000)	6	(3,000)	(4)
Net income (loss)	**154**	**(4,563)**	**(2,890)**	**(6,972)**
Basic and diluted income (loss) per common share	0.02	(0.82)	(0.45)	(1.26)
Weighted average number of common shares:				
Basic	6,400,081	5,550,547	6,366,861	5,548,369
Diluted	6,529,482	5,550,547	6,366,861	5,548,369

See accompanying notes.

OncoGenex Pharmaceuticals, Inc.

Consolidated Statements of Cash Flows
(Unaudited)
(In thousands of U.S. dollars)

	Six months ended June 30,	
	2010	**2009**
	$	**$**
OPERATING ACTIVITIES		
Loss for the period	(2,890)	(6,972)
Add items not involving cash		
Depreciation and amortization	26	24
Stock-based compensation *[note 5(c)]*	311	173
Changes in non-cash working capital items		
Amounts receivable	2,696	123
Investment tax credit recoverable	—	713
Restricted cash	(502)	—
Prepaid expenses	(1,619)	12
Other assets	—	12
Accounts payable and accrued liabilities	(12,786)	(779)
Long-term obligations	(599)	141
Deferred collaboration revenue	(2,393)	—
Cash used in operating activities	**(17,756)**	**(6,553)**
FINANCING ACTIVITIES		
Proceeds from issuance of common stock under stock option and employee purchase plans	521	32
Cash provided by financing activities	**521**	**32**
INVESTING ACTIVITIES		
Purchase of investments	(12,291)	(1,512)
Proceeds from sale of investments	500	4,780
Purchase of property and equipment	(27)	(13)
Cash provided (used in) by investing activities	**(11,818)**	**3,255**
Effect of exchange rate changes on cash and cash equivalents	14	(156)
Decrease in cash and cash equivalents during the period	29,040	3,422
Cash and cash equivalents, beginning of the period	**62,051**	**7,618**
Cash and cash equivalents, end of the period	**33,011**	**4,196**
Supplemental cash flow information		
Property and equipment acquired under lease obligation	—	65

See accompanying notes.

OncoGenex Pharmaceuticals, Inc.

Notes to Consolidated Financial Statements
(Unaudited)

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

OncoGenex Pharmaceuticals, Inc. (the "Company" or "OncoGenex") is committed to the development and commercialization of new therapies that address treatment resistance in cancer patients. The Company was 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, British Columbia (Canada) for administrative, pre-clinical and manufacturing-related operations.

The unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required to be presented for complete financial statements. The accompanying unaudited consolidated financial statements reflect all adjustments (consisting only of normal recurring items) which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The accompanying consolidated Balance Sheet at December 31, 2009 has been derived from the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year then ended. The consolidated financial statements and related disclosures have been prepared with the assumption that users of the interim financial information have read or have access to the audited consolidated financial statements for the preceding fiscal year. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2009 and filed with the United States Securities and Exchange Commission ("SEC") on March 8, 2010.

The consolidated financial statements include the accounts of OncoGenex Pharmaceuticals, Inc., our wholly owned subsidiary, OncoGenex Technologies, and our former wholly owned subsidiary, OncoGenex, Inc. OncoGenex, Inc. ceased operations in 2009 and was subsequently dissolved. All intercompany balances and transactions have been eliminated.

2. ACCOUNTING POLICIES

Recently Adopted Accounting Policies

In January 2010, the FASB issued amended guidance on fair value measurements and disclosures. The new guidance requires additional disclosures regarding fair value measurements, amends disclosures about postretirement benefit plan assets, and provides clarification regarding the level of disaggregation of fair value disclosures by investment class. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for certain Level 3 activity disclosure requirements that will be effective for reporting periods beginning after December 15, 2010. Accordingly, we adopted this amendment in the quarter ended June 30, 2010, except for the additional Level 3 requirements which will be adopted in 2011.

Recent Accounting Pronouncements

In April 2010, the FASB issued ASU No. 2010 — 17 – Revenue Recognition — Milestone Method (Topic 605): Milestone Method of Revenue Recognition. This standard provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for certain research and development transactions. Under this new standard, a company can recognize as revenue consideration that is contingent upon achievement of a milestone in the period in which it is achieved, only if the milestone meets all criteria to be considered substantive. This standard will be effective for us on a prospective basis for periods beginning after January 1, 2011. We are currently evaluating the potential impact of this standard, but do not expect it to have a significant impact on our financial position or results of operations.

3. COLLABORATION AGREEMENT

On December 20, 2009, the Company, through its wholly-owned subsidiary, OncoGenex Technologies Inc., entered into a Collaboration Agreement (the "Collaboration Agreement") with Teva Pharmaceutical Industries Ltd. ("Teva") for the development and global commercialization of OGX-011 (and related compounds), a pharmaceutical compound designed to inhibit the production of clusterin, a protein we believe is associated with cancer treatment resistance. Under the Collaboration Agreement, Teva paid the Company upfront payments in the aggregate amount of $50 million, will pay up to $370 million upon the achievement of developmental and commercial milestones and will pay royalties at percentage rates ranging from the mid-teens to mid-twenties on net sales, depending on aggregate annual net sales of the products containing OGX-011 and related compounds ("Licensed Product").

On the same date, the Company and Teva also entered into a stock purchase agreement pursuant to which Teva made an additional $10 million equity investment in the Company at a 20% premium to a thirty-day average closing price, resulting in 267,531 shares purchased at a price of $37.38 per Share. The 20% share premium is included as consideration for the OGX-011 license and has been included in deferred collaboration revenue.

Teva and the Company have developed a Clinical Development Plan under which three phase 3 clinical trials will be initiated:

- a phase 3 clinical trial of the Licensed Product, referred to as the SATURN trial, for second-line castrate resistant prostate cancer, initiated in the second quarter of 2010. The Company will have primary responsibility for the oversight of this trial;
- a phase 3 clinical trial of the Licensed Product for first-line castrate resistant prostate cancer, expected to initiate in the third quarter of 2010; and
- a phase 3 clinical trial of the Licensed Product for first-line non-small cell lung cancer ("NSCLC"), expected to initiate by early 2011.

Funding responsibilities for the Clinical Development Plan will be allocated as follows:

- the Company will be required to spend $30 million in direct and indirect development costs, and
- Teva will fund all other expenses under the Clinical Development Plan.

Upon entering into the Collaboration Agreement, the Company assessed whether withholdings taxes were owed to the Israeli Tax Authority ("ITA") resulting from the Collaboration Agreement. It was the Company's position that withholdings taxes were not owed, and a claim was issued to the ITA accordingly. For accounting purposes management concluded that withholdings tax claim was an uncertain tax position, and $3 million, which represented the potential withholdings tax obligation, was initially recorded as Restricted Cash pending the Israeli Tax Authorities review of our claim and a corresponding liability of $3 million was included in Accounts Payable and Accrued Liabilities. In June 2010, the Company received approval from the ITA for our request for a withholdings tax exemption on amounts received from Teva in relation to the Collaboration Agreement. Following receipt of this approval from the ITA the $3 million was released to the Company from escrow. Subsequently, the Company released the $3 million liability and recorded a $3 million income tax recovery in the second quarter of 2010.

Revenue for the six months ended June 30, 2010 was $6.4 million, which consists of partial recognition of deferred collaboration revenue representing OncoGenex's contribution to the OGX-011 phase 3 development plan under our Collaboration Agreement with Teva and OGX-011 manufacturing costs incurred by OncoGenex in the six months ended June 30, 2010 that are reimbursable from Teva on a cash basis. At June 30, 2010, a remaining balance of $24.1 million of the up-front payment was recorded in deferred collaboration revenue, and $362 thousand was reimbursable from Teva on a cash basis and included in Amounts Receivable. There were no revenues recorded in the six months ended June 30, 2009 and all revenues realized since inception have been the result of the Collaboration Agreement with Teva.

4. FAIR VALUE MEASUREMENTS

With the adoption of ASC 820 "Fair Value Measurements and Disclosures", 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.

ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with ASC 820, these inputs are summarized in the three broad level 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.

As quoted prices in active markets are not readily available for certain financial instruments, the Company obtains estimates for the fair value of financial instruments through independent pricing service providers.

In determining the appropriate levels, the Company performed a detailed analysis of the assets and liabilities that are subject to ASC 820.

The Company invests its excess cash in accordance with investment guidelines that limit the credit exposure to any one financial institution other than securities issued by the U.S. Government. These securities are not collateralized and mature within one year.

A description of the valuation techniques applied to the Company's financial instruments measured at fair value on a recurring basis follows.

Financial Instruments

Cash

Significant amounts of cash are held on deposit with a large well established Canadian financial institution.

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 and Commercial Paper The fair value of corporate bonds and commercial paper 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 and commercial paper 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 June 30, 2010, 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	Total
Marketable Securities				
Cash	$ 11,733	$ —	$ —	$ 11,733
Money market securities	10,194	—	—	10,194
U.S. government securities	6,500	—	—	6,500
U.S. agency securities	1,000	1,000	—	2,000
Corporate bonds and commercial paper	—	17,379	—	17,379
	$ 29,427	**$ 18,379**	**$ —**	**$ 47,806**

Marketable securities as at June 30, 2010 consist of the following:

(in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Cash	$ 11,733	$ —	$ —	$ 11,733
Money market securities	9,692	—	—	9,692
U.S. government securities	3,000	—	—	3,000
U.S. agency securities	1,000	—	—	1,000
Corporate bonds and commercial paper	7,586	—	—	7,586
Cash and cash equivalents	$ **33,011**	$ —	$ **—**	$ **33,011**
Money market securities	502	—	—	502
Restricted cash	$ **502**	$ —	$ **—**	$ **502**
U.S. government securities	3,500	—	—	3,500
U.S. agency securities	1,000	—	—	1,000
Corporate bonds and commercial paper	9,793	—	—	9,793
Short-term investments	$ **14,293**	$ —	$ —	$ **14,293**

All securities included in cash, and cash equivalents have maturities of 90 days or less at the time of purchase. All securities included in short-term investments have maturities of within one year of the balance sheet date.

There were no significant realized or unrealized gains or losses on the sales of marketable securities in the periods ended June 30, 2010, and no significant unrealized gains or losses are included in accumulated other comprehensive income as at June 30, 2010. Realized gains and losses are transferred out of accumulated other comprehensive income into interest income using the specific identification method.

All of the marketable securities held as of June 30, 2010 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 June 30, 2010 given the quality of the investment portfolio, its short-term nature, and subsequent proceeds collected on sale of securities that reached maturity.

5. SHAREHOLDERS' EQUITY

[a] Authorized

25,000,000 authorized common voting share, par value of $0.001, and 5,000,000 preferred shares with a par value of $0.001.

[b] Issued and Outstanding Shares

During the six month period ended June 30, 2010 the Company issued 117,643 common shares upon exercise of stock options for proceeds of $521,000 (period ended June 30, 2009 – 7,646 for proceeds of $32,000). The Company issues new shares to satisfy stock option exercises.

[c] Stock options

2010 Performance Incentive Plan

At the 2010 Annual Meeting of Stockholders of the Company held on June 8, 2010, stockholders of the Company approved the 2010 Performance Incentive Plan, which authorized the Company to issue up to an aggregate of 450,000 shares of common stock pursuant to options or restricted share awards granted under the 2010 Plan. Following the approval of the 2010 Performance Incentive Plan, we are no longer able to issue additional equity awards under any of our other equity compensation plans. As at June 30, 2010 the Company has reserved, pursuant to various plans, 1,113,300 common shares for issuance upon exercise of stock options by employees, directors, officers and consultants of the Company, of which 677,276 are reserved for options currently outstanding, and 436,024 are available for future option grants.

Stock Option Summary

Options vest in accordance with terms as determined by the Board, typically over four years for employee grants and one to three years for Board of Director option grants. The expiry date for each option is set by the Board, which is typically seven to ten 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.

Stock option transactions and the number of stock options outstanding are summarized below:

	Number of Optioned Common Shares	Weighted Average Exercise Price
	#	$
Balance, December 31, 2009	**802,871**	**6.95**
Option grants	25,922	16.68
Option expirations	(7,311)	104.91
Option exercises	(117,643)	4.43
Option forfeitures	(26,563)	7.35
Balance, June 30, 2010	**677,276**	**6.69**

The fair value of each stock award is estimated on the grant date using the Black-Scholes option-pricing model based on the weighted-average assumptions noted in the following table:

	Six months ended June 30,	
	2010	2009
Risk-free interest rates	2.41%	1.68%
Expected dividend yield	0%	0%
Expected life	6 years	4 years
Expected volatility	74%	76%

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 ASC 718, management made an estimate of expected forfeitures and is recognizing compensation costs only for those equity awards expected to vest.

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

(In thousands)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	$	$	$	$
Research and development	74	22	142	45
General and administrative	70	75	169	128
Total share-based compensation	**144**	**97**	**311**	**173**

As at June 30, 2010 the total unrecognized compensation expense related to stock options granted is $1,644,000 which is expected to be recognized into expense over a period of approximately four years.

As of June 30, 2010 and December 31, 2009 a total of 731,260 and 986,256 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.

[d] Stock Warrants

At June 30, 2010, 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.

6. RESTRUCTURING ACTIVITIES

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 then changed its name to OncoGenex Pharmaceuticals, Inc. 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 Company is currently in the process of evaluating opportunities to exit or sublet portions of the leased space and recorded an initial restructuring charge of $2,084,000 on August 21, 2008 as part of the purchase price allocation. 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”. 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 will be recognized as adjustments to restructuring charges in future periods.

In June 2009 the Company revised its sublease income assumptions used to estimate the fair value of the excess lease facility liability. These assumptions were subsequently revised again in December 2009. These changes in estimate resulted in increases in the fair value of the excess lease liability and $494,000 and $3,457,000 in expense recorded in June 2009 and December 2009, respectively, to reflect these changes in estimate. The estimated fair value of the liability remaining with respect to excess facilities was $4,645,000 as of December 31, 2009. In the six months ended June 30, 2010, with respect to excess facilities, $665,000 was amortized into income through research and development expense, resulting in a remaining liability of $3,980,000 at June 30, 2010.

(In thousands)	Remaining Liability at December 31, 2009	Amortization of excess lease facility	Remaining Liability at June 30, 2010
Current portion of excess lease facility	$ 1,297	$ 45	$ 1,252
Long-term portion of excess lease facility	$ 3,348	$ 620	$ 2,728
	$ 4,645	$ 665	$ 3,980

7. COMMITMENTS AND CONTINGENCIES

Teva Pharmaceutical Industries Ltd.

In December 2009, OncoGenex Pharmaceuticals, Inc., through its wholly-owned subsidiary, OncoGenex Technologies, entered into a Collaboration Agreement with Teva for the development and global commercialization of OGX-011 (and related compounds). Under the Collaboration Agreement, Teva made upfront payments in the aggregate amount of $50 million, will pay up to $370 million upon the achievement of developmental and commercial milestones and will pay royalties at percentage rates ranging from the mid-teens to mid-twenties on net sales. The Company is required to contribute $30 million in direct and indirect costs towards the Clinical Development Plan. $5.9 million of the total funding commitment has been incurred by OncoGenex as at June 30, 2010, and has been applied against the funding responsibility for the OGX-011 development plan resulting in a remaining deferred collaboration revenue balance of $24.1 million as at June 30, 2010. Teva will fund all other expenses under the Clinical Development Plan.

Pursuant to the Collaboration Agreement, OncoGenex and Teva agreed to collaborate in the development and global commercialization of OGX-011. Teva received the exclusive worldwide right and license to develop and commercialize products containing OGX-011 and related compounds. OncoGenex has an option to co-promote OGX-011 in the United States and Canada.

In addition to the development costs noted above, Teva is also responsible for all costs relating to product commercialization including costs incurred in relation to the Company's co-promotion option, except for start-up costs in advance of commercialization.

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. ("Isis"), the Company is obligated to pay royalties on future product sales and milestone payments of up to $10.1 million upon the achievement of specified product development milestones related to OGX-427 and OGX-225.

In addition, we are required to pay to Isis 30% of all Non-Royalty Revenue we receive. Isis has disclosed in its SEC filings that it is entitled to receive 30% of the up to $370 million in milestone payments we may receive from Teva as part of the Collaboration Agreement; however, we believe that certain of the milestone payments related to sales targets may qualify as Royalty Revenue, and therefore be subject to the lesser payment obligations. No assurance can be provided that we will be entitled to receive these milestone payments or, if we are, that the applicable amount payable to Isis will be less than 30%. We are also 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. We anticipate paying Isis and UBC $750,000 and CAD $100,000, respectively in 2010 upon the initiation of a phase 2 clinical trial of OGX-427 in patients with castrate resistant prostate cancer ("CRPC"). We do not anticipate making any royalty payments to Isis or UBC in 2010. 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.

To facilitate the execution and performance of the Collaboration Agreement with Teva, OncoGenex and Isis agreed to amend the Isis License Agreement and the Company and UBC agreed to amend the UBC License Agreement, in each case, effective December 19 and December 20, 2009, respectively.

The amendment to the Isis License Agreement provides, among other things, that if the Company is the subject of a change of control with a third party, where the surviving company immediately following such change of control has the right to develop and sell the product, then (i) a milestone payment of $20 million will be due and payable to Isis 21 days following the first commercial sale of the product in the United States; and (ii) unless such surviving entity had previously sublicensed the product and a royalty rate payable to Isis by the Company has been established, the applicable royalty rate payable to Isis will thereafter be the maximum amount payable under the Isis License Agreement. Any non-royalty milestone amounts previously paid will be credited toward the $20 million milestone if not already paid. As a result of the $10 million milestone payment paid to Isis in the first quarter of 2010 in relation to the Collaboration Agreement, the remaining amount owing in the event of change of control discussed above is a maximum of $10 million. As the Company has now licensed the product to Teva and established a royalty rate payable to Isis, no royalty rate adjustments would apply if Teva acquires the Company and is the surviving company. If the $30 million in advanced reimbursement of development activities has not been spent by OncoGenex prior to the third anniversary of the Collaboration Agreement between OncoGenex and Teva, OncoGenex will pay Isis an amount equal to 30% of any un-spent portion less $3.5 million. As of June 30, 2010, the unspent portion included on the balance sheet as deferred collaboration revenue was $24.1 million.

Bayer HealthCare LLC

On August 7, 2008, Sonus completed an exclusive in-licensing agreement with Bayer HealthCare LLC (“Bayer”) 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 in 2009. The payments 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 on net future product sales in addition to aggregate milestone 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 March 2011.

Future minimum annual lease payments under the Vancouver lease are as follows (in thousands):

2010	$	90
2011		45
Total	$	135

In November 2006, prior to the Arrangement (note 6), Sonus entered into a non-cancellable operating lease agreement for office space in Bothell, Washington, expiring in 2017. 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 $502,000 which was issued in 2010 and is included in Restricted Cash. 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 $3,980,000 as at June 30, 2010 (note 6).

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):

2010	$	998
2011		2,055
2012		2,117
2013		2,180
2014		2,245
remainder		7,150
Total	$	16,745

Consolidated rent expense relating to both the Vancouver, Canada and Bothell, Washington offices for the periods ended June 30, 2010 and 2009 was $1,092,000 and $1,130,000 respectively.

Guarantees and Indemnifications

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 us 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 June 30, 2010.

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.

8. COMPREHENSIVE INCOME (LOSS)

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	$	$	$	$
Income (loss) for the period	154	(4,563)	(2,890)	(6,972)
Unrealized loss on cash equivalents and marketable securities	—	1	—	1
Comprehensive income (loss)	154	(4,564)	(2,890)	(6,973)

9. SUBSEQUENT EVENTS

The Company has performed an evaluation of events occurring subsequent to June 30, 2010. Based on our evaluation, no material events have occurred requiring financial statement disclosure.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

INFORMATION REGARDING 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 future financial and operating results, 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 trial conducted by us or our collaborators;
- anticipated regulatory filings, requirements and future clinical trials conducted by us or our partners;• 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:

- uncertainties regarding our future operating results, and the risk that our product candidates will not obtain the requisite regulatory approvals to commercialize or that the future sales of our product candidates may be less than expected or nil;
- future capital requirements and uncertainty of obtaining additional funding through debt or equity financings on terms acceptable to us;
- dependence on Teva's ongoing commitment and ability to develop and commercialize OGX-011;
- dependence on the development and commercialization of our product candidates, particularly on OGX-011;
- the risk that research or previous clinical trial results may not be indicative of results in humans or in future studies;
- uncertainty relating to the timing and results of clinical trials;
- uncertainties regarding the safety and effectiveness of our products and technologies;
- the timing, expense and uncertainty associated with the development and regulatory approval process for products;
- acceptance of our products by the medical community;
- the uncertainty associated with exiting or subleasing our excess office and laboratory space;
- our ability to build out our product candidate pipeline through product in-licensing, acquisition activities, or otherwise;
- general competitive conditions within the drug development and pharmaceutical industry and new developments or therapies that may not work in combination with our product candidates;
- the potential for product liability issues and related litigation;

- our dependence on key employees;
- proper management of our operations;
- the potential inability to successfully protect and enforce our intellectual property rights;
- the reliance on third parties who license intellectual property rights to us to comply with the terms of such agreements and to enforce, prosecute and defend such intellectual property rights;
- the reliance on third parties to manufacture and supply our product candidates;
- 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;
- volatility in the value of our common stock; 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 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 comparative period in the prior year; and
- our current capital resources, capital requirements and possible sources of additional funding for future capital requirements.

Overview of the Company

OncoGenex is a biopharmaceutical company committed to the development and commercialization of new cancer therapies that address treatment resistance in cancer patients. We have five product candidates in our pipeline, namely, OGX-011, OGX-427, OGX-225, SN2310, and CSP-9222, with each product candidate having a distinct mechanism of action and representing a unique opportunity for cancer drug development.

Our 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 we believe promote survival of tumor cells and are over-produced in response to a variety of cancer treatments. Our 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 we believe 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, that demonstrate activation of programmed cell death in pre-clinical models.

Product Candidate OGX-011

In December 2009, we announced our entry into the Collaboration Agreement with Teva, for the development and global commercialization of OGX-011 (and related compounds targeting clusterin with the exclusion of OGX-427 and OGX-225).

OncoGenex and Teva have developed a Clinical Development Plan under which one phase 3 clinical trial has been initiated and two additional phase 3 clinical trials will be initiated. We have designed two of the phase 3 clinical trials to evaluate the clinical benefit of OGX- 011 in patients with castrate resistant prostate cancer ("CRPC") and, together with Teva, we are in the process of designing a third phase 3 clinical trial evaluating the clinical benefit of OGX-011 in non-small cell lung cancer ("NSCLC"), as follows:

- a phase 3 registration trial evaluating a survival benefit for OGX-011 in combination with first-line docetaxel treatment in approximately 800 men with CRPC, expected to initiate in the third quarter of 2010;
- a phase 3 registration trial, referred to as the SATURN trial, evaluating a durable pain palliation benefit for OGX-011 in combination with docetaxel as second-line chemotherapy in approximately 300 men with CRPC, initiated in the second quarter of 2010; and
- a phase 3 registration trial evaluating a survival benefit for OGX-011 in combination with first-line chemotherapy in at least 700 patients with NSCLC, expected to initiate in early 2011.

For detailed information regarding our relationship with Teva and the Collaboration Agreement, refer to the discussion under the heading "License and Collaboration Agreements — *Teva Pharmaceutical Industries Ltd."*, in our 2009 Annual Report on Form 10-K filed on March 8, 2010.

During 2009, OGX-011 received Fast Track designations from the U.S. Food and Drug Administration ("FDA") for the treatment of progressive metastatic prostate cancer in combination with docetaxel for both first and second-line docetaxel treatment. The FDA has agreed on the design of two phase 3 registration trials, each in CRPC, via the special protocol assessment ("SPA") process. One trial design investigates overall survival as the primary endpoint for OGX-011 in combination with first-line chemotherapy, whereas the other trial design, the SATURN trial, investigates pain palliation as the primary endpoint for OGX-011 in combination with second-line chemotherapy.

In February of 2010, OGX-011 received written, scientific advice from the European Medicines Agency ("EMA") on the Company's development plan for OGX-011 for the treatment of men with CRPC. The input received from the Committee for Medicinal Products for Human Use ("CHMP") at the EMA was in overall agreement with OncoGenex's development plan regarding the proposed preclinical studies and both the study designs and analyses for the phase 3 trials. The CHMP also agreed that the intended safety database would enable a sufficient qualified risk-benefit assessment for market approval.

Our phase 3 registration trials are designed to build on our phase 2 clinical trials, including:

- a randomized phase 2 trial evaluating the benefit of combining OGX-011 with first-line docetaxel chemotherapy, the final results of which were presented during an oral presentation at the ASCO 2009 Annual Meeting. Analyses indicating a survival benefit in patients treated with OGX-011 in combination with first-line docetaxel compared to docetaxel alone, the latter of which being the current standard care for patients with advanced, progressive metastatic prostate cancer, are described in our 2009 Annual Report on Form 10-K filed on March 8, 2010 under the heading "Summary of Final Results of OGX-011 Phase 2 Clinical Trial in First-Line Hormone Refractory Prostate Cancer". Due to the results of our phase 2 trial, one of the phase 3 registration trials that will be initiated in 2010 will evaluate the survival benefit of OGX-011 in patients treated with first-line chemotherapy; and,

- durable pain palliation defined as pain palliation of 12 weeks or greater has been observed in another phase 2 trial evaluating patients with metastatic CRPC who progressed while receiving, or within 6 months of completing, first-line docetaxel treatment. Of the patients on this trial who had pain or were on opioids for pain control and were retreated with docetaxel as second-line treatment in combination with OGX-011, 46% had durable pain palliation. This is favorable even when compared to the 35% pain responses of 3 weeks or greater observed in the phase 3 trial which supported the registration of docetaxel as first-line chemotherapy in patients with CRPC. Due to the results of our phase 2 trial, one of the phase 3 registration trials, the Prostate Cancer SATURN trial which was initiated in 2010, is evaluating the durable pain palliation benefit of OGX-011 in patients treated with second-line chemotherapy. The SATURN trial will enroll men in 50 cancer centres who have previously responded to first-line docetaxel therapy, but subsequently experience disease progression involving prostate cancer-related pain despite opioid usage.

The protocol for the OGX-011 phase 3 registration trial in advanced, unresectable NSCLC that Teva is expected to initiate in 2011, which will assess overall survival as the primary endpoint, has yet to be finalized.

Product Candidate OGX-427

OGX-427 is a second generation antisense drug which in preclinical experiments, inhibits production of Heat Shock Protein 27 (Hsp27), a cell survival protein found at elevated levels in many human cancers including prostate, lung, breast, ovarian, bladder, renal, pancreatic, multiple myeloma and liver cancer. Many anti-cancer therapies are known to further elevate Hsp27 levels. For example, Hsp27 levels increased four-fold in prostate cancer patients after treatment with chemo- or hormone therapy. Increased levels of Hsp27 in some human cancers are associated with metastases, poor prognosis and resistance to radiation or chemotherapy.

OGX-427 is being evaluated in a phase 1 study in patients with breast, prostate, ovarian, non-small cell lung, or bladder cancer who have failed potentially curative treatments or for which a curative treatment does not exist. Final results of this phase 1 trial were presented during an oral presentation at the ASCO 2010 Annual Meeting. The phase 1 trial evaluated 36 patients treated with OGX-427 as a single agent and 12 with OGX-427 in combination with docetaxel who had failed up to six prior chemotherapy regimens. OGX-427 as a single agent administered weekly was evaluated at doses from 200 mg up to 1000 mg in five cohorts of approximately 6 patients in each cohort. Two further cohorts tested OGX-427 at the 800 and 1000 mg doses combined with docetaxel. Patients could receive up to ten 21-day cycles.

When OGX-427 was given as a single agent, a median of 2 cycles (range of 0 to 8) was administered. Most adverse events were mild (grade 1 or 2) and mainly occurred during the three “loading doses” given over nine days prior to weekly dosing. The majority of adverse events felt to be related to OGX-427 consisted of grade 1 or 2 fever, chills, itching, or flushing (associated with the infusion of OGX-427) and fatigue.

When OGX-427 was combined with docetaxel, a median of 6 cycles (range of 1 to 10) was administered. Infusion reactions continued to be the most common adverse events, followed by nausea, back pain, poor appetite and shortness of breath. Despite evaluating OGX-427 at very high doses, a maximum tolerated dose for OGX-427 was not reached in this study.

When OGX-427 was used as monotherapy, 3 of 17 evaluable patients had a decrease in measurable disease of 20% or greater. In this heavily pretreated patient population, 2 of 4 patients with ovarian cancer had a decrease of 25% or greater in CA-125 (an ovarian tumor marker) and 3 of 15 patients with prostate cancer had a decrease of 30% or greater in PSA (a prostate tumor marker).

Of particular interest was the decrease at all doses and in all diseases evaluated in both total circulating tumor cells in patients ('CTCs') and CTCs which were positive for Hsp27 (Hsp27(+) CTCs). Recent studies have shown that the presence of CTCs in peripheral blood may be of prognostic significance for solid tumors, and patients with values of five cells or less are generally considered to have a favorable prognosis. In 9 of 26 evaluable patients, the total CTCs had decreased to 5 tumor cells or less, while Hsp27(+) CTCs decreases were noted in all diseases evaluated and in 89% of patients treated. In addition, serum Hsp27 protein levels were decreased by 30% or greater over a period of at least 6 weeks in approximately 25% of patients at the 800 and 1000 mg doses.

When OGX-427 was combined with docetaxel, 5 of 10 patients had a decrease in measurable disease of 20% or greater. 5 of 9 patients with prostate cancer had a decrease of 30% or greater in PSA. Again, decreases in both total CTCs and Hsp27(+) CTCs were observed. Hsp27(+) CTCs were decreased in 71% of patients treated. In 5 of 7 evaluable patients, the total CTCs had decreased to 5 cells or less. Serum Hsp27 protein levels were decreased by 30% or greater over a time period of at least six weeks in approximately 35% of patients.

An investigator-sponsored phase 1 clinical trial evaluating OGX-427 when administered directly into the bladder in patients with bladder cancer was initiated in August 2009. The study, which will enroll up to 36 patients with bladder cancer, is designed to determine the safety and potential benefit of OGX-427 administered directly into the bladder using a catheter, which is known as intravesical instillation. In addition, the study will measure the direct effect of OGX-427 on expression of Hsp27 in bladder tumor cells as well as determine the pharmacokinetics and pharmacodynamics of OGX-427 when delivered by intravesical instillation. This investigator-sponsored study is funded by the National Cancer Institute of Canada.

In January 2010, we announced that a second investigator-sponsored phase 2 clinical trial evaluating OGX-427 when administered as a monotherapy to patients with CRPC has received grant funding. The randomized, controlled phase 2 study will enroll up to 72 patients and is designed to determine the potential benefit of OGX-427 by evaluating the number of patients who are without disease progression at 12 weeks post study treatment with or without OGX-427. This phase 2 trial will also measure the direct effect of OGX-427 on PSA levels, time to progression by PSA or measurable disease, numbers of CTCs and other relevant secondary endpoints. The trial is expected to start in the second half of 2010 following final analysis of phase 1 data and approval by Health Canada and the institutional review board. The funds were awarded by a third party granting agency to Dr. Kim Chi, a medical oncologist at the BC Cancer Agency, Research Scientist at the Vancouver Prostate Centre and the principal investigator of the OGX-427 phase 2 trial.

We are currently evaluating various alternatives, including partnering, which would allow us to expand the OGX-427 development plan beyond the ongoing bladder cancer trial and the CRPC trial planned to initiate later this year.

Product Candidates OGX-225, SN2310 and CSP-9222

OGX-225 focuses on mechanisms of treatment resistance in cancer patients and is designed to address treatment resistance by blocking the production of specific proteins which we believe promote survival of tumor cells and are over-produced in response to a variety of cancer treatments. 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, that demonstrate activation of programmed cell death in pre-clinical models.

SN2310 was evaluated in a phase 1 clinical trial to evaluate safety in patients with advanced cancer who have received on average three to five 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 has been determined. We do not intend to initiate additional trials for SN2310 but rather will seek to out-license or sell this product candidate to a third party. OGX-225, an inhibitor of insulin growth factor binding proteins 2 and 5, and CSP-9222 are in pre-clinical development.

Collaboration Revenue

We recorded $6.4 million of collaboration revenue in connection with our OGX-011 Collaboration Agreement with Teva in the six months ended June 30, 2010. At June 30, 2010, $24.1 million of the upfront payment was included in the balance sheet line item Deferred Collaboration Revenue, which we are amortizing over the period reflecting the expected performance period of our deliverables under this agreement. Management currently expects this performance period to end in the fourth quarter of 2012. Further, we are eligible to receive payments of up to $370 million upon the achievement of developmental and commercial milestones. At present, we are unable to predict the timing or likelihood of such milestone payments, although we do not expect to receive any milestone payments from Teva in the year ended December 31, 2010. There were no revenues in the six months ended June 30, 2009. See note 3 in the Notes to Financial Statements for further details on our collaboration with Teva.

Research and Development Expenses

Research and development ("R&D") expenses consist primarily of costs for: milestone payments to third parties; 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 our clinical trials. We expect our R&D expenses to increase significantly in the future as we continue to develop our product candidates. Currently, OncoGenex manages its clinical trials through independent medical investigators at their sites and at hospitals.

Under the Collaboration Agreement with Teva, we are required to spend $30 million towards development of OGX-011 which will include personnel costs for certain development activities. Teva is required to fund all other expenses under the Clinical Development Plan. A total of $5.9 million of costs incurred by the Company have been applied against the Company's $30 million funding commitment, resulting in a remaining funding commitment of $24.1 million at June 30, 2010. We expect compensation for our full time equivalent employee costs of between $1.5 and $2.5 million per year from 2010 to 2012, which will be applied against our funding commitment, or reimbursed to us from Teva on a cash basis. We expect to incur all remaining costs associated with the Clinical Development Plan by the fourth quarter of 2012.

A majority of the Company's 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. In connection with the Collaboration Agreement and pursuant to the terms of agreements between the Company and Isis relating to OGX-011, the Company paid $10 million to Isis in the first quarter of 2010, which was included in R&D expenses in 2009. The Company also paid $333,333 in the first quarter of 2010 to UBC pursuant to the terms of their license agreement relating to OGX-011, which was also included in R&D expenses in December 2009. Amounts owing to Isis and UBC at December 31, 2009 were paid in the first quarter of 2010.

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

Since the Company's drug candidates are in the early stage of development, we cannot estimate completion dates for development activities or when we might receive material net cash inflows from our research and development projects, if ever.

Our projects or intended R&D activities may be subject to change from time to time as we evaluate our R&D priorities and available resources.

General and Administrative Expenses

General and administrative ("G&A") expenses consist primarily of salaries and related costs for our 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. We believe that G&A resources are sufficient to carry on existing development activities. We anticipate that G&A expenses will increase in the future as we continue to expand our operating activities.

Restructuring Activities

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 Company is currently in the process of evaluating opportunities to exit or sublet portions of the leased space and recorded an initial restructuring charge of $2,084,000 on August 21, 2008 as part of the purchase price allocation. 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". 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 will be recognized as adjustments to restructuring charges in future periods.

In June 2009, the Company revised its sublease income assumptions used to estimate the fair value of the excess lease facility liability. These assumptions were subsequently revised again in December 2009. These changes in estimate resulted in increases in the fair value of the excess lease liability and $494,000 and $3,457,000 in charges to research and development expense recorded in June 2009 and December 2009, respectively, to reflect these changes in estimate. The estimated fair value of the liability remaining at December 31, 2009 with respect to excess facilities was $4,645,000. In the six months ended June 30, 2010, with respect to excess facilities, $665,000 was amortized into income recorded within research and development expense, resulting in a remaining liability of $3,980,000 at June 30, 2010.

Results of Operations

Three Months Ended June 30, 2010 Compared to the Three Months Ended June 30, 2009

Revenue for the three months ended June 30, 2010 was $1.7 million, consisting of partial recognition of the non-refundable up-front payments received from Teva in December 2009, as well as reimbursements from Teva for OGX-011 manufacturing costs incurred by OncoGenex in 2010. At June 30, 2010, $24.1 million of the upfront payment received from Teva was included on the Company's Balance Sheet as Deferred Collaboration Revenue which we are amortizing over the expected performance period of our deliverables under the Collaborative Agreement. We currently expect this performance period to end in the fourth quarter of 2012. No revenues were recorded in the quarter ended June 30, 2009. See note 3 in the Notes to Financial Statements for further details on our collaboration with Teva.

Research and development expenses for the three months ended June 30, 2010 were $3.1 million, compared to $3.6 million in the corresponding period of 2009. The costs incurred in the three months ended June 30, 2010 were primarily due to manufacturing costs, clinical trial costs associated with the OGX-011 phase 3 clinical trials, and employee expenses. The costs incurred in the three months ended June 30, 2009 were due mainly to the purchase of OGX-011 drug compound from Isis, costs associated with the development of OGX-427, employee expenses and facility costs resulting from the reverse takeover of Sonus. The decrease in research and development expenses in the three months ended June 30, 2010 as compared with the three months ended June 30, 2009 was due to a change in estimate relating to the sublease assumptions associated with the Company's Bothell facility, which resulted in a $494 thousand expense in the second quarter of 2009. Clinical trial costs incurred in 2010 for the OGX-011 phase 3 clinical trials are applied against the non-refundable up-front payments received from Teva in December 2009, while manufacturing costs are reimbursable from Teva on a cash basis. See note 3 in the Notes to Financial Statements for further details on our collaboration with Teva.

G&A expenses for the three months ended June 30, 2010 were $1.5 million compared to $1.0 million for the three months ended June 30, 2009. The increases in 2010 were due mainly to higher employee expenses, professional fees for legal and auditing services, employee recruitment costs and stock based compensation expense.

Interest income for the quarter ended June 30, 2010 was $14 thousand compared to $3 thousand for the quarter ended June 30, 2009 due to higher balances of interest bearing securities in the second quarter of 2010 as compared to 2009.

Other for the three months ended June 30, 2010 was $7 thousand in expense compared to $31 thousand in income for the three months ended June 30, 2009. The expense in 2010 is due to a foreign exchange loss, while income earned in 2009 related to gains on sales of equipment.

An income tax recovery of $3.0 million was booked in the second quarter of 2010, as the Company received approval from the Israel Tax Authority ("ITA") for a withholdings tax exemption on amounts received from Teva in relation to the collaboration. Under the Collaboration Agreement, Teva paid the Company upfront payments in the aggregate amount of $50 million of which $20 million was for an upfront milestone payment and subject to possible withholding taxes by the ITA. Prior to the receipt of the approval, Teva was granted a temporary exemption for a transfer of $17 million of the $20 million upfront milestone payment. Such temporary exemption was conditioned upon Teva's depositing $3 million, which represented 15% of the consideration paid according to the Collaboration Agreement, in a trust account in favor of the ITA, until a final decision would be made by the ITA regarding the request. Accordingly, prior to the receipt of the approval, the Company had recorded a $3 million liability recognizing this amount as an uncertain tax position. Following this approval from the ITA, this liability has been released, and the Company has recorded a $3 million income tax recovery. See note 3 in the Notes to Financial Statements for further details on our collaboration with Teva.

Six Months Ended June 30, 2010 Compared to the Six Months Ended June 30, 2009

Revenue for the six months ended June 30, 2010 was $6.4 million, consisting of partial recognition of the non-refundable up-front payments received from Teva in December 2009, as well as OGX-011 manufacturing costs incurred by OncoGenex that are reimbursable from Teva on a cash basis. Of amounts reimbursable from Teva on a cash basis, $362 thousand is included in amounts receivable at June 30, 2010. At June 30, 2010, $24.1 million of the upfront payment received from Teva was included on the Company's Balance Sheet as Deferred Collaboration Revenue which we are amortizing over the expected performance period of our deliverables under our agreement. We currently expect this performance period to end in the fourth quarter of 2012. No revenues were recorded in the six months ended June 30, 2009. See note 3 in the Notes to Financial Statements for further details on our collaboration with Teva.

Research and development expenses for the six months ended June 30, 2010 were $9.5 million, compared to $5.3 million in the corresponding period of 2009. The increases in 2010 were primarily due to manufacturing costs and clinical trial costs associated with the OGX-011 phase 3 clinical trials, as well as increased employee expenses. Clinical trial costs for the OGX-011 phase 3 clinical trials are applied against the non-refundable up-front payments received from Teva in December 2009, while manufacturing costs are reimbursable from Teva on a cash basis.

G&A expenses for the six months ended June 30, 2010 were $2.8 million compared to $1.8 million for the six months ended June 30, 2009. The increases in 2010 were due mainly to higher employee expenses including severance charges, professional fees for legal and auditing services, employee recruitment costs and stock based compensation expense.

Interest income for the six months ended June 30, 2010 was $19 thousand compared to $36 thousand for the six months ended June 30, 2009 due to lower interest rates earned on our marketable securities in 2010 as compared to 2009.

Other for the six months ended June 30, 2010 was $26 thousand in expense compared to $55 thousand in income for the six months ended June 30, 2009. The expense in 2010 is due to foreign exchange losses, while income earned in 2009 related to gains on sales of equipment.

An income tax recovery of $3.0 million was booked in the second quarter of 2010, as the Company received approval from the ITA for its request for a withholdings tax exemption on amounts received from Teva in relation to the collaboration. Under the Collaboration Agreement, Teva paid the Company upfront payments in the aggregate amount of $50 million of which $20 million was for an upfront milestone payment and subject to possible withholding taxes by the ITA. Prior to the receipt of the approval, Teva was granted a temporary exemption for a transfer of $17 million of the $20 million upfront milestone payment. Such temporary exemption was conditioned upon Teva's depositing $3 million, which represented 15% of the consideration paid according to the Agreement, in a trust account in favor of the ITA, until a final decision would be made by the ITA regarding the request. Accordingly, prior to the receipt of the approval, the Company had recorded a $3 million liability recognizing this amount as an uncertain tax position. Following this approval from the ITA, this liability has been released, and the Company has recorded a $3 million income tax recovery. See note 3 in the Notes to Financial Statements for further details on our collaboration with Teva.

Liquidity and Capital Resources

OncoGenex has incurred an accumulated deficit of $56.4 million through June 30, 2010, and we expect to incur substantial and increasing additional losses in the future as we expand our research and development activities. We have not generated any revenue from product sales to date, and we do not expect to generate product sales revenue for several years, if ever. In the six month period ended June 30, 2010, we generated $6.4 million in collaboration revenue from the Teva Collaboration Agreement.

All of our operations to date have been funded through the sale of our debt and equity securities, and upfront payments received from Teva. As at June 30, 2010, OncoGenex had cash, cash equivalents, and short-term investments of $47.3 million in the aggregate as compared to cash, cash equivalents and short-term investments of $64.6 million as at December 31, 2009. As at June 30, 2010, OncoGenex does not have any borrowing or credit facilities available to it. In 2010, we anticipate that we will incur operating expenses of between $30 million and $32 million, and we anticipate ending the year with cash, cash equivalents, short-term investments and amounts receivable of between $32 million and $34 million. Based upon our current expectations, we believe our capital resources at June 30, 2010 will be sufficient to fund our currently planned operations into mid-2012 and expect that both planned phase 3 prostate cancer trials will be fully accrued by this time. Our currently planned operations are set forth below under the heading "Operating Capital and Capital Expenditure Requirements".

Cash Flows

Cash Used in Operations

For the six months ended June 30, 2010, net cash used in operations was $17.8 million, compared to $6.6 million in the corresponding period of 2009. This increase in cash used in operations in the six months ended June 30, 2010 compared to the same period in 2009 was primarily attributable to increased R&D expenses associated with manufacturing of OGX-011 drug product, upfront payments for OGX-011 clinical trial activities, and payments made to Isis and UBC in the first quarter of 2010 resulting from the Collaboration Agreement with Teva.

Cash Provided by Financing Activities

For the six months ended June 30, 2010, net cash provided by financing activities was $521 thousand as compared to $32 thousand in the corresponding period of 2009. All net cash provided by financing activities in the six months ended June 30, 2010 and June 30, 2009 was the result of proceeds from the issuance of common shares on stock option exercises.

Cash Used/Provided by Investing Activities

Net cash used in investing activities for the six months ended June 30, 2010 was $11.8 million as compared to net cash provided by investing activities of $3.3 million in the corresponding period of 2009. Net cash used/provided by investing activities in the six months ended June 30, 2010 and 2009 was due to transactions involving marketable securities in the normal course of business. The related maturities and sales of those investments provide working capital on an as-needed basis.

Operating Capital and Capital Expenditure Requirements

We believe that our cash, cash equivalents and short-term investments will be sufficient to fund our currently planned operations into mid-2012, including:

- completing patient accrual in the SATURN trial, a phase 3 clinical trial evaluating a durable pain palliation benefit for OGX-011 in combination with docetaxel as second-line chemotherapy in approximately 300 men with CRPC, which was initiated in the second quarter of 2010;
- completing patient accrual in a phase 3 clinical trial evaluating a survival benefit for OGX-011 in combination with docetaxel as first-line chemotherapy in approximately 800 men with CRPC, expected to initiate in the third quarter of 2010;
- completing follow-up monitoring visits related to our completed phase 2 clinical trials of OGX-011;
- completing follow-up monitoring visits related to the phase 1 clinical trial evaluating OGX-427 as a monotherapy in patients with solid tumors and continuing evaluation of OGX-427 in combination with docetaxel in patients with solid tumors;
- continuing an investigator-sponsored phase 1 clinical trial evaluating OGX-427 treatment in patient with bladder cancer;
- initiating an investigator-sponsored phase 2 clinical trial evaluating OGX-427 treatment in patients with prostate cancer;

- continuing partnering discussions with respect to OGX-427 and assessing opportunities to expand OGX-427 development plan into additional randomized phase 2 trials; and
- meeting working capital needs, capital expenditures and general corporate purposes.

As of June 30, 2010, we have a remaining commitment to fund $24.1 million towards the three phase 3 trials of OGX-011, some of which we expect to be in the form of in kind contributions for full time equivalent employee costs, while Teva is required to fund all additional expenses under the Clinical Development Plan.

The final results from the planned OGX-011 phase 3 trials may be released at a date beyond our current available cash runway. In addition, if we desire to conduct development activities with respect to our other product candidates beyond those development activities mentioned in the list above, we will require additional funding to support such operations. If and when needed to extend our cash availability or to conduct any such currently unplanned development activities, we would seek any such necessary funding through the licensing or sale of certain of our product candidates, executing a partnership or collaboration agreement, or through private or public offerings of our equity securities or debt financings.

Our future capital requirements will depend on many factors, including:

- maintaining our relationship with Teva and Teva's ongoing level of focus and efforts to develop OGX-011;
- our ability to obtain additional funding through a partnership or collaboration agreement with a third party or licenses 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.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet financing arrangements at June 30, 2010.

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

We previously disclosed certain contractual obligations and contingencies and commitments relevant to the Company within the financial statements and Management Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on March 8, 2010. There have been no significant changes to our "Contractual Obligations" table in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2009 Form 10-K. For more information regarding our current contingencies and commitments, see note 7 to the financial statements included above, which is incorporated by reference herein.

Material Changes in Financial Condition

(In thousands)	June 30, 2010	December 31, 2009
	$	$
Total assets	51,142	68,980
Total liabilities	30,243	46,021
Shareholders' equity	20,899	22,959

The decrease in assets from December 31, 2009 primarily relates to decreased cash, cash equivalents and marketable securities as these assets have been used to fund operations, and payments in 2010 of milestone amounts owing to Isis and UBC included in accounts payable at year end. The decrease in liabilities from December 31, 2009 relates predominantly to the payment in 2010 of milestone amounts owing to Isis and UBC included in accounts payable at year end, the amortization of restructuring related liabilities, and the recognition of deferred collaboration revenue, offset by increased payables manufacturing costs and clinical trial costs payable relating to the OGX-011 Clinical Development Plan.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures. We have discussed those estimates that we believe are critical and require the use of complex judgment in their application in our 2009 Form 10-K filed with the SEC on march 8, 2010. Since the date of our 2009 Form 10-K, there have been no material changes to our critical accounting policies or the methodologies or assumptions we apply under them.

New Accounting Standards

See note 2, "Accounting Policies," of the consolidated financial statements for information related to the adoption of new accounting standards in the 2010 first quarter, none of which had a material impact on our financial statements, and the future adoption of recently issued accounting standards, which we do not expect to have a material impact on our financial statements.

Item 3. 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 June 30, 2010, 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 4. 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 Securities Exchange Act of 1934, as amended (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 quarter ended June 30, 2010, 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

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 June 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. The risk factors disclosed here, in addition to the other information set forth in this quarterly report and in our Annual Report of Form 10-K for the year ended December 31, 2009 as filed on March 8, 2010, could materially affect our business, financial condition or results of operations. You should carefully consider such information before engaging in any transaction involving shares of our common stock. Additional risks and uncertainties not currently known to us or that we deem to be immaterial could also materially adversely affect our business, financial condition or results of operations. We undertake no obligation to publicly release the results of any revisions to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

Risks Related to Our Business

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. Our only revenue to date has been collaboration revenue under our Collaboration Agreement with Teva. 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.

Because we depend on financing from third parties for our operations, our business may fail if such financing becomes unavailable or is offered on commercially unreasonable terms.

To date, we have financed our operations primarily through the sale of our equity securities and from the upfront payment we received pursuant to our Collaboration Agreement with Teva. We believe that our existing capital resources and interest thereon, including the upfront payment we received from Teva in December 2009, will be sufficient to meet our current operating requirements into mid-2012 and expect that both phase 3 prostate cancer trials will be fully accrued by this time. However, if our Collaboration Agreement with Teva were to be terminated or if Teva failed to fulfill its obligations thereunder, or if the trials accrue slower than expected or are initiated later than expected, or if we change our development plans, acquire rights to new product candidates or cannot find third party collaborators for our other product candidates, we may need additional capital sooner than we expect. Our future capital requirements will depend on many factors, including without limitation:

- maintaining our partnership with Teva and Teva's ongoing commitment to develop OGX-011 in a timely fashion;
- whether we experience delays in our preclinical and clinical development programs, or slower than anticipated product development;

- the scope and results of our preclinical and clinical trials;
- whether opportunities to acquire additional product candidates arise and the costs of acquiring and developing those product candidates;
- whether we are able to enter into additional third party collaborative partnerships to develop and/or commercialize any of our other product candidates on terms that are acceptable to us;
- the timing and requirements of, and the costs involved in, conducting studies required to obtain regulatory approvals for our product candidates from the FDA and comparable foreign regulatory agencies;
- the availability of third parties to perform the key development tasks for our product candidates, including conducting preclinical and clinical studies and manufacturing our product candidates to be tested in those studies and the associated costs of those services; and
- the costs involved in preparing, filing, prosecuting, maintaining, defending the validity of and enforcing, patent claims and other costs related to patent rights and other intellectual property rights, including litigation costs and the results of such litigation.

If we are unable to raise funds on acceptable terms when it becomes necessary to do so, we may not be able to continue developing our product candidates, acquire or develop additional product candidates or respond to competitive pressures or unanticipated requirements. For these reasons, any inability to raise additional capital when we require it could have a materially adverse effect on our business.

We are dependent upon our collaborative relationship with Teva to further develop and commercialize OGX-011, and if our relationship were not to be successful or were to be terminated, we may not be able to effectively develop and/or commercialize OGX-011, which would have a material adverse effect on the Company.

Under our Collaboration Agreement with Teva, we rely heavily on Teva to collaborate with us in respect of the development and global commercialization of OGX-011. Furthermore, under such Collaboration Agreement, we and Teva must agree on any changes to the Clinical Development Plan for OGX-011. As a result of our dependence on our relationship with Teva, the eventual success or commercial viability of OGX-011 is largely beyond our control. The financial returns to us, if any, under our Collaboration Agreement with Teva depend in large part on the achievement of development and commercialization milestones, plus a share of any revenues from sales. Therefore, our success, and any associated financial returns to us and our investors, will depend in large in part on the performance of Teva under the agreement.

We are subject to a number of additional specific risks associated with our dependence on our collaborative relationship with Teva, including:

- adverse decisions by Teva or the Joint Steering Committee regarding the development and commercialization of OGX-011;
- possible disagreements as to the timing, nature and extent of our development plans, including clinical trials or regulatory approval strategy;
- loss of significant rights if we fail to meet our obligations under the Collaboration Agreement;
- our limited control over clinical trials with respect to OGX-011;
- changes in key management personnel at Teva that are members of the Joint Steering Committee; and
- possible disagreements with Teva regarding the Collaboration Agreement or ownership of proprietary rights.

If we and Teva are unable to reach an agreement under the Clinical Development Plan, or if either we or Teva fail to perform our respective obligations or effectively manage our relationship, such occurrence could cause clinical trial, regulatory approval or development progress to be significantly delayed or halted, could result in costly or time consuming litigation or arbitration and could have a material adverse effect on our business.

If Teva's business strategy changes, it may adversely affect the development and commercialization of OGX-011.

Teva may change its business strategy. Decisions by Teva to either reduce or eliminate its participation in the oncology field, to emphasize other competitive agents currently in its portfolio, or to add additional competitive agents to its portfolio, could result in a decision to terminate the Collaboration Agreement. In the event of termination of the Collaboration Agreement, among other things, we may have responsibility for paying for any remaining costs of all three phase 3 clinical trials. Any such termination could adversely affect the timing and extent of development and commercialization activities, which could cause significant delays and funding shortfalls impacting those activities and seriously harm our business.

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 results for these trials were previously disclosed. If 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 and Teva must, among other things, conduct additional clinical trials, including phase 3 or registration clinical trials, to demonstrate safety and efficacy. We have initiated one registration trial with OGX-011 and are intending to initiate a second registration trial in 2010. OGX-427 and SN2310 have been 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 for SN2310 to establish the safety and efficacy of this product candidate. 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 could have a material and adverse impact on our business.

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 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 Pharmaceuticals Inc., or Isis, or Avecia and all drug product has been manufactured for us by Formatech, Inc., Pyramid Laboratories, Inc. and Laureate Pharma, Inc., in each case pursuant to a purchase order or short-term contract which has been fulfilled. We will need to obtain FDA approval of Avecia as our contract manufacturer and additional quantities of OGX-011 to complete our phase 3 clinical trials.

All active pharmaceutical ingredient for OGX-427 for IND-enabling toxicology studies and initial clinical trials has been manufactured for us by Avecia 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 which has been fulfilled.

If, in the future, one of our product candidates is approved for commercial sale, we or a pharmaceutical partner that has licensed such product candidates, 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, 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, or that a pharmaceutical partner that has licensed will have sufficient capacity or expertise to satisfy future needs.

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. We have experienced manufacturing quality issues resulting in an unusable lot of product candidate. Any performance failure on the part of our contract manufacturers could delay regulatory approval of our contract manufacturers, 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 Practices (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.

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

Positive results from pre-clinical studies and early clinical trials, including those results from the OGX-011 clinical trials conducted to date, 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 our planned 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, or IRB, overseeing the clinical trial at issue, any of our clinical trial sites with respect to that site, by Teva in the case of OGX-011, 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 currently planned clinical trials for OGX-011 or OGX-427 will proceed or be completed on schedule, or at all, or, with respect to our other product candidates, whether we will be able to initiate any future pre-clinical studies or clinical trials, as applicable, beyond those currently planned. The completion or commencement of future pre-clinical studies or clinical trials could be substantially delayed or prevented by several factors, including:

- delay or failure to obtain sufficient manufacturing supply of OGX-011;
- decrease in Teva's level of focus and efforts to develop OGX-011;
- delay or failure to obtain acceptance from the FDA of Avecia as our manufacturer for OGX-011;
- 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 clinical trials;
- delay or failure to obtain required future additional funding, when needed, through private or public offerings of our equity securities, debt financings, or the execution of a licensing, partnership or collaboration agreement with a third party for any of our product candidates;
- 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 or amendment thereto under a Special Protocol Assessment;
- delay or failure to obtain sufficient supplies of the product candidate for our 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 clinical trials currently in progress could also be substantially delayed or prevented by several factors, including:

- delay or failure to obtain sufficient manufacturing supply of OGX-011;
- delay or failure to obtain acceptance from the FDA of Avecia as our manufacturer for OGX-011;
- 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 our clinical trials by one or more clinical trial sites;
- inability or unwillingness of patients or medical investigators to follow clinical trial protocols;

- inability to monitor patients adequately during or after treatment;
- introduction of competitive products that may impede our ability to retain patients in clinical trials; and
- delay or failure to obtain future additional funding through private or public offerings of our equity securities, debt financings, or the execution of a licensing, partnership or collaboration agreement with a third party for any of our product candidates in the event of material unforeseen costs relating to our clinical trials currently in progress.

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

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. Of the serious adverse events associated with OGX-011, neutropenia, vomiting, dehydration, pyrexia, pleural effusion and difficulty breathing (also known as “dyspnea”) were the most common events, occurring in greater than 2% of patients.

OGX-427 has been administered to 53 patients with various types of cancer in a phase 1 clinical trial. Enrollment in the five cohorts with dose-escalation of OGX-427 as monotherapy and in the two cohorts in which docetaxel was administered in combination with OGX-427 is complete. There was only one dose-limiting toxicity; thus, the maximum tolerated dose (MTD) was not reached. Of the 46 patients presented at ASCO 2010, the majority of the adverse events were infusion reactions which were documented in 72% of patients and increased in incidence with increasing dose. The majority (93%) were grade 1 or 2. Grade 3/4 laboratory events which occurred in decreasing frequency were lymphopenia, prolonged PTT, neutropenia, hyponatremia, anemia, elevated creatinine and thrombocytopenia. During monotherapy and when OGX-477 was administered as combination therapy, there was evidence of decrease in tumor markers (CA-125 and PSA), decreases in Hsp27+ CTCs (circulating tumor cells), and reduction of serum Hsp27 protein levels.

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:

- Teva may elect to terminate the ongoing clinical trials and cease development of OGX-011;
- 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 the inability to obtain, applicable regulatory approvals, would prevent us from commercializing its product candidates.

Even if we or Teva 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 the:

- 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.

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 our current requirements. We have been seeking to exit or sublease 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.

Although we have entered into a Collaboration Agreement with Teva for OGX-011, we have not yet partnered with third party collaborators with respect to any of our other product candidates, and we cannot control whether we will be able to do so on favorable terms or at all.

Our business strategy relies in part on potentially partnering successful product candidates with larger companies to complement our internal development and commercialization efforts. While we have successfully entered into a Collaboration Agreement with Teva with respect to OGX-011, it may be difficult for us to find third parties that are willing to enter into a collaboration on acceptable economic terms or at all with respect to our other product candidates. We also will be competing with many other companies as we seek partners for our other product candidates and we may not be able to compete successfully against those other companies. If we are not able to enter into collaboration arrangements for our other product candidates, we would be required to undertake and fund further development, clinical trials, manufacturing and commercialization activities solely at our own expense and risk. If we are unable to finance and/or successfully execute those expensive activities, our business could be materially and adversely effected.

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 Vancouver 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 Vancouver Prostate Centre, UBC and other research institutions and other biotechnology or pharmaceutical companies as sources of product candidates. We cannot guarantee that the Vancouver 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 Vancouver 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.

We will need to retain additional personnel and expand our other resources in order to promote OGX-011 in the event we exercise our copromotion option and develop our other product candidates. If we fail to effectively expand our operations, including attracting and retaining key management and scientific personnel, we may be unable to successfully develop or commercialize our product candidates and our business may be materially adversely affected.

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 personnel, including management, pre-clinical and clinical personnel, including our executive officers Scott Cormack and Cindy Jacobs, and to recruit and retain a new Chief Financial Officer. Currently, Cameron Lawrence, the Director of Financial Reporting, is our interim principal financial officer. We are in the process of searching for executive talent to fill the Chief Financial Officer position on a permanent basis. In addition, although we have entered into employment agreements with each of Mr. Cormack and Dr. Jacobs, such agreements permit the executive to terminate his or her employment with us at any time, subject to providing us with advance written notice.

Should OGX-011 receive marketing approval in the United States and Canada, or should we exercise our co-promotion option, which we do not anticipate having the funds to do, we would need to hire a substantial number of specialized personnel, including field-based medical affairs representatives. In turn, we would need to increase our administrative headcount to support such expanded development and commercialization operations with respect to our product candidates. Our ability to attract and retain qualified personnel in the future is subject to intense competition for qualified personnel among biotechnology, pharmaceutical and other businesses and our current financial position. The loss of the services of any of our senior management, or our inability to recruit a new Chief Financial Officer, could delay or prevent the development and commercialization of our product candidates, or have other adverse effects on our business for an indefinite term. In particular, if we lose any members of our current 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. Among other things, if any of such events were to occur, we may not be able to comply with our contractual obligations to Teva under our Collaboration Agreement or advance our product candidates, which could have a material adverse effect on our business.

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

As we advance our product candidates OGX-427, OGX-225, and CSP-9222 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.

Under the Collaboration Agreement, Teva is responsible for the commercialization costs associated with OGX-011; however, if we were to exercise our co-promotion option, which we do not anticipate having sufficient funds to do, we would need to expand our marketing and sales capabilities. In addition, as we have primary responsibility for the oversight of the second-line trial in CRPC, we must be able to manage our development responsibilities effectively, 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 may 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 collaborators, contract research organizations, medical institutions, clinical investigators and contract laboratories, to conduct our clinical trials of our product candidates. In particular, we will have limited control over the two OGX-O11 phase 3 trials over which Teva will have primary oversight. Although we rely on 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, or 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.

Global credit and financial market conditions could negatively impact the value of our current portfolio of cash equivalents and investment securities.

Our cash and cash equivalents are maintained in highly liquid investments with maturities of 90 days or less at the time of purchase. As of the date of this filing, we are not aware of any material losses or other significant deterioration in the fair value of our cash equivalents or investment securities since December 31, 2009. However, no assurance can be given that deterioration in conditions of the global credit and financial markets would not negatively impact our current portfolio of cash equivalents and investment securities and, as result, our financial condition.

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 and our collaborators, including Teva, intend to apply for additional patents covering both our technologies and product candidates, as we deem appropriate. However, we or our collaborators 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 or our collaborators 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 a significant degree of control over such 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. The ability of us or our collaborators 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 or our collaborators, may be challenged, invalidated, unenforceable 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.

We and our collaborators, including Teva, also rely on trade secrets to protect some of our technology, especially where it is believed that 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 and our collaborators, including Teva, 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 inlicensing 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, we do not have and have not had any control over the filing, prosecution or enforcement of these patents or patent applications. In the case of patents and patent applications licensed from Bayer, we did not have any control over the filing of the patents and patent applications before the effective date of the Bayer license, and have had control over the filing and prosecution of these patents and patent applications after the effective date of the Bayer license. Under certain circumstances, we also have the right to enforce patents and patent applications licensed from Bayer. 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.

We may become involved in disputes with Teva or potential future collaborators over intellectual property ownership, and publications by our research collaborators and scientific advisors could impair our ability to obtain patent protection or protect our proprietary information, which, in either case, could have a significant impact on our business.

Inventions discovered under research, material transfer or other such collaborative agreements, including our Collaboration Agreement with Teva, may become jointly owned by us and the other party to such agreements in some cases and the exclusive property of either party in other cases. Under some circumstances, it may be difficult to determine who owns a particular invention, or whether it is jointly owned, and disputes could arise regarding ownership of those inventions. These disputes could be costly and time consuming and an unfavorable outcome could have a significant adverse effect on our business if we were not able to protect or license rights to these inventions. In addition, our research collaborators and scientific advisors generally have contractual rights to publish our data and other proprietary information, subject to our prior review. Publications by our research collaborators and scientific advisors containing such information, either with our permission or in contravention of the terms of their agreements with us, may impair our ability to obtain patent protection or protect our proprietary information, which could significantly harm our business.

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, certain of the U.S. patents directed to OGX-011 and its use that have been licensed from UBC are scheduled to expire in 2020 and 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 or unenforceability of these patents is upheld, the court will refuse to stop the other party on the grounds 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/or the patent is unenforceable 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 sublicensing, 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.

Under the terms of our Collaboration Agreement with Teva, we are required to use commercially reasonable efforts to maintain and not to breach in any material manner certain of our third party license agreements relating to OGX-011. If we breach any of these agreements in a material manner, we would be in breach of the Collaboration Agreement with Teva, which would allow them to terminate the Collaboration Agreement.

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 and proceeds from the Collaboration Agreement with Teva. 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.

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 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.

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 or Teva 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 limited interactions with non-North American regulatory authorities. 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 our stock price and those of other 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 6. Exhibits

SIGNATURES

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

ONCOGENEX PHARMACEUTICALS, INC.

Date: August 5, 2010

By: /s/ Cameron Lawrence
Cameron Lawrence
Principal Financial Officer
(Principal Financial and Accounting Officer)

Exhibit Number	Description
2.1	Arrangement Agreement between the Company and OncoGenex Technologies Inc. dated May 27, 2008† (Incorporated by reference to the Company's proxy statement on Schedule 14A filed on July 3, 2008.)
2.2	First Amendment to Arrangement Agreement between the Company and OncoGenex Technologies Inc. dated August 11, 2008 (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2008.)
2.3	Second Amendment to Arrangement Agreement between the Company and OncoGenex Technologies Inc. dated August 15, 2008 (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2008.)
3.1	Amended and Restated Certificate of Incorporation (As Amended Through October 17, 1995) (Incorporated by reference to the Company's Registration Statement on Form S-1, Reg. No. 33-96112.)
3.2	Certificate of Amendment to Certificate of Incorporation filed on May 6, 1999 (Incorporated by reference to Company's quarterly report on Form 10-Q for the quarter ended March 31, 1999.)
3.3	Certificate of Correction filed on March 9, 2009 to Certificate of Amendment filed on May 6, 1999 (Incorporated by reference to the Company's current report on Form 8-K filed on March 11, 2009.)
3.4	Certificate of Amendment to Certificate of Incorporation filed on May 7, 2004 (Incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2008.)
3.5	Certificate of Correction filed on March 9, 2009 to Certificate of Amendment filed on May 7, 2004 (Incorporated by reference to the Company's current report on Form 8-K filed on March 11, 2009.)
3.6	Certificate of Amendment to Certificate of Incorporation of Sonus Pharmaceuticals Inc., effective August 20, 2008 (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2008.)
3.7	Certificate of Amendment to Certificate of Incorporation filed on June 8, 2010 (Incorporated by reference to the Company's current report on Form 8-K filed on June 14, 2010.)
3.8	Fourth Amended and Restated Bylaws of Oncogenex Pharmaceuticals, Inc. (Incorporated by reference to the Company's current report on Form 8-K filed on June 14, 2010.)
4.1	Specimen Certificate of Common Stock (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2008.)
4.2	Amended and Restated Rights Agreement dated as of July 24, 2002 between Sonus Pharmaceuticals Inc. and U.S. Stock Transfer Corporation (Incorporated by reference to the Company's amended Form 8-A filed on July 25, 2002.)
4.3	First Amendment to Amended and Restated Rights Agreement dated as of October 17, 2005 between Sonus Pharmaceuticals Inc. and U.S. Stock Transfer Corporation (Incorporated by reference to the Company's amended Form 8-A filed on October 18, 2005.)

Exhibit Number	Description
4.4	Second Amendment to Amended and Restated Rights Agreement dated as of August 10, 2006 between Sonus Pharmaceuticals Inc. and U.S. Stock Transfer Corporation (Incorporated by reference to the Company's amended Form 8-A filed on August 14, 2006.)
4.5	Third Amendment to Amended and Restated Rights Agreement dated May 27, 2008 between Sonus Pharmaceuticals Inc. and Computershare Trust Company, N.A. (Incorporated by reference to the Company's current report on Form 8-K filed on May 30, 2008.)
4.6	Form of Escrow Agreement between the Company, Computershare Trust Company of Canada and former shareholders and debentureholders of OncoGenex Technologies Inc. (Incorporated by reference to the Company's proxy statement on Schedule 14A filed on July 3, 2008.)
4.7	Form of OncoGenex Voting Agreement (Incorporated by reference to the Company's proxy statement on Schedule 14A filed on July 3, 2008.)
4.8	Form of Sonus Voting Agreement (Incorporated by reference to the Company's proxy statement on Schedule 14A filed on July 3, 2008.)
10.1	Sonus Pharmaceuticals, Inc. Incentive Stock Option, Nonqualified Stock Option and Restricted Stock Purchase Plan — 1991 (the "1991 Plan"), as amended (Incorporated by reference to the Company's Registration Statement on Form S-1, Reg. No. 33-96112.)
10.2	Form of Incentive Option Agreement (pertaining to the 1991 Plan) (Incorporated by reference to the Company's Registration Statement on Form S-1, Reg. No. 33-96112.)
10.3	Form of Sonus Pharmaceuticals, Inc. Nonqualified Stock Option Agreement under the 1991 Plan (Incorporated by reference to the Company's Registration Statement on Form S-1, Reg. No. 33-96112.)
10.4	Sonus Pharmaceuticals, Inc. 1999 Nonqualified Stock Incentive Plan (the "1999 Plan") (Incorporated by reference to Company's quarterly report on Form 10-Q for the quarter ended March 31, 1999.)
10.5	Form of Sonus Pharmaceuticals, Inc. Nonqualified Stock Option Agreement under the 1999 Plan (Incorporated by reference to Company's quarterly report on Form 10-Q for the quarter ended March 31, 1999.)
10.6	Form of Sonus Pharmaceuticals, Inc. Restricted Stock Purchase Agreement under the 1999 Plan (Incorporated by reference to Company's quarterly report on Form 10-Q for the quarter ended March 31, 1999.)
10.7	Sonus Pharmaceuticals, Inc. 2000 Stock Incentive Plan (the "2000 Plan") (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2000.)
10.8	First Amendment to Sonus Pharmaceuticals, Inc. 2000 Plan (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2006.)

Exhibit Number	Description
10.9	Form of Sonus Pharmaceuticals, Inc. Stock Option Agreement (pertaining to the 2000 Plan) (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2000.)
10.10	Sonus Pharmaceuticals, Inc. 2007 Performance Incentive Plan (the "2007 Plan") (Incorporated by reference to the Company's proxy statement on Schedule 14A filed on April 3, 2007.)
10.11	Form of Sonus Pharmaceuticals, Inc. Stock Option Agreement (pertaining to the 2007 Plan) (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2007.)
10.12	Form of Sonus Pharmaceuticals, Inc. Restricted Stock Purchase Agreement under the 2007 Plan (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2007.)
10.13	OncoGenex Pharmaceuticals, Inc. 2010 Performance Inactive Plan ("2010 Plan") (Incorporated by reference to the Company's proxy statement on Schedule 14A filed on April 19, 2010.)
10.14	Form of OncoGenex Pharmaceuticals, Inc. 2010 Stock Option Agreement under the 2010 Plan (Incorporated by reference to the Company's current report on Form 8-K filed on June 14, 2010.)
10.15	Form of OncoGenex Pharmaceuticals, Inc. 2010 Restricted Stock Purchase Agreement under the 2010 Plan (Incorporated by reference to the Company's current report on Form 8-K filed on June 14, 2010.)
10.16	OncoGenex Technologies Inc. Amended and Restated Stock Option Plan (Incorporated by reference to the OncoGenex Technologies Inc. registration statement on Form F-1 filed on December 13, 2006.)
10.17	Stock Option Assumption, Amending and Confirmation Agreement dated as of August 21, 2008 between the Company and OncoGenex Technologies Inc. (Incorporated by reference to the Company's registration statement on Form S-8 filed on August 26, 2008.)
10.18	OncoGenex Pharmaceuticals, Inc. Short Term Incentive Awards Program (Incorporated by reference to the Company's current report on Form 8-K filed on June 14, 2010.)
10.19	Agreement and Consent Form (related to the Short Term Incentive Awards Program) (Incorporated by reference to the Company's current report on Form 8-K filed on April 2, 2009.)
10.20	Form of Indemnification Agreement for Officers and Directors of the Company (Incorporated by reference to the Company's Registration Statement on Form S-1, Reg. No. 33-96112.)
10.21	Form of Indemnification Agreement between OncoGenex Technologies Inc. and each of Scott Cormack and Cindy Jacobs (Incorporated by reference to the OncoGenex Technologies Inc. registration statement on Form F-1 filed on December 13, 2006.)
10.22	Form of Indemnification Agreement between OncoGenex Technologies Inc. and Neil Clendeninn (Incorporated by reference to the OncoGenex Technologies Inc. registration statement on Form F-1 filed on December 13, 2006.)
10.23	Executive Termination Agreement and General Release dated August 21, 2008 between the Company and Michael Martino (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2008.)

Exhibit Number	Description
10.24	Executive Termination Agreement and General Release dated August 21, 2008 between the Company and Alan Fuhrman (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2008.)
10.25	Employment Agreement between OncoGenex Technologies Inc. and the Company and Scott Cormack dated as of November 4, 2009 (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2009.)
10.26	Employment Agreement between OncoGenex Technologies Inc. and the Company and Stephen Anderson dated as of November 4, 2009 (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2009.)
10.27	Amendment dated February 24, 2010 to the Employment Agreement between OncoGenex Technologies Inc. and Stephen Anderson (Incorporated by reference to the Company's current report on Form 8-K filed February 25, 2010.)
10.28	Employment Agreement between the Company and Cindy Jacobs dated as of November 3, 2009 (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2009.)
10.29	Employment Agreement dated October 14, 2008 between OncoGenex Technologies Inc. and Cameron Lawrence (Incorporated by reference to the Company's current report on Form 8-K filed March 1, 2010.)
10.30	Employment Amending Agreement dated January 1, 2009 between OncoGenex Technologies Inc. and Cameron Lawrence (Incorporated by reference to the Company's current report on Form 8-K filed March 1, 2010.)
10.31	Securities Purchase Agreement dated as of August 15, 2005 by and among Sonus Pharmaceuticals Inc. and the investors named therein (Incorporated by reference to the Company's current report on Form 8-K filed on August 18, 2005.)
10.32	Form of Purchase Warrant related to the Securities Purchase Agreement (Incorporated by reference to the Company's current report on Form 8-K filed on August 18, 2005.)
10.33	Form of Purchase Warrant issued to Schering AG (Incorporated by reference to the Schedule 13D filed by Schering Berlin Venture Corporation on October 31, 2005.)
10.34	Registration Rights Agreement dated as of August 15, 2005 by and among Sonus Pharmaceuticals Inc. and the investors named therein (Incorporated by reference to the Company's current report on Form 8-K filed on August 18, 2005.)
10.35	Lease by and between BMR-217th Place LLC and the Company dated as of November 21, 2006 (Incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2006.)
10.36	First Amendment to Lease by and between BMR-217th Place LLC and the Company dated as of August 17, 2007 (Incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2007.)
10.37	Second Amendment to Lease by and between BMR-217th Place LLC and the Company dated as of January 28, 2008 (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2008.)

Exhibit Number	Description
10.38	Amended and Restated License Agreement effective as of July 2, 2008 by and between OncoGenex Technologies Inc. and Isis Pharmaceuticals, Inc. (OGX-011)* (Incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2008.)
10.39	Letter Agreement Regarding Certain Sublicense Consideration for OGX-011 between OncoGenex Technologies Inc. and Isis Pharmaceuticals, Inc. dated December 18, 2009 (Incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2009.)
10.40	Amendment No. 1 to Amended and Restated License Agreement between OncoGenex Technologies Inc. and Isis Pharmaceuticals, Inc. dated December 19, 2009 (OGX-011)* (Incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2009.)
10.41	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)* (Incorporated by reference to the OncoGenex Technologies Inc. registration statement on Form F-1, Amendment No. 1, filed on January 29, 2007.)
10.42	Second Amending Agreement and Consent as of August 7, 2008 between the University of British Columbia and OncoGenex Technologies Inc. (OGX-011) (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2008.)
10.43	Third Amending Agreement to the License Agreement between OncoGenex Technologies Inc and the University of British Columbia dated as of December 20, 2009 (OGX-011)* (Incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2009.)
10.44	Collaboration and License Agreement between OncoGenex Technologies Inc. and Isis Pharmaceuticals, Inc. effective as of January 5, 2005 (OGX-427)* (Incorporated by reference to the OncoGenex Technologies Inc. registration statement on Form F-1, Amendment No. 1, filed on January 29, 2007.)
10.45	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)* (Incorporated by reference to the OncoGenex Technologies Inc. registration statement on Form F-1, Amendment No. 1, filed on January 29, 2007.)
10.46	Second Amending Agreement as of August 7, 2008 between the University of British Columbia and OncoGenex Technologies Inc. (OGX-427) (Incorporated by reference to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2008.)
10.47	Collaboration and License Agreement between OncoGenex Technologies Inc. and Teva Pharmaceutical Industries Ltd. dated as of December 20, 2009 (OGX-011)* (Incorporated by reference to the Company's annual report on Form 10-K for the year ended December 31, 2009.)

Exhibit Number	Description
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.

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 quarterly report on Form 10-Q 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: August 5, 2010

/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, Cameron Lawrence, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: August 5, 2010

/s/ Cameron Lawrence
Cameron Lawrence
Principal Financial and Accounting Officer

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 Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2010 (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: August 5, 2010

/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, Cameron Lawrence, Principal Financial and Accounting 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 Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2010 (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: August 5, 2010

/s/ Cameron Lawrence
Cameron Lawrence
Principal Financial and Accounting Officer